

OCTOBER 1980

# Nation's Business

the business advocate magazine

more than 1,265,000 paid circulation



**MINERALS:  
Our Next  
Crisis ?**

# Seville

BY CADILLAC

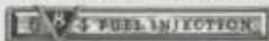


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# Nation's Business



## Voting

The outcome of the presidential race will depend in large part on the kinds of voters who go to the polls in great numbers—and on the effectiveness of efforts to get them there.

by Vernon Louviere **26**

## Mining

OPEC has meant a peck of trouble for America, as we all know. Less understood is the threat posed by our dependence on unreliable foreign sources for nonfuel minerals we must have.

by Tony Velocci **32**

## Hauling

Passage of the Motor Carrier Act of 1980 has changed the ground rules for competition in the trucking industry. Reduced regulation will provide new opportunities and present new problems.

by Bob Gatty **40**

## Dealing

Meet Harry B. Helmsley, whose real estate dealings have given him ownership of about a quarter of Manhattan's skyline, including the Empire State Building. He hopes to buy more.

**54**

## Departments

Washington Letter	5
Letters To the Editor	10
James J. Kilpatrick	17
Who Said That?	18
Outlook	20
Sound Off To the Editor	49
Sound Off Response	52
People in Business	86
Editorials	96

## Productivity

The slump in American productivity may have a number of causes, but there is one basic solution. It is a matter of incentives: Tax laws must be changed to expand the rewards for saving and investment.

by Barry Crickmer **60**

## Philanthropy

Corporate philanthropy has been rising more rapidly than giving by any other sector of society, and executives are increasingly concerned about making the best choices of recipients.

by Mary Tuthill **66**

## Bagels

What has been called a crocodile's teething ring, a

mouse's life preserver and a spare tire on an Israeli sports car? It's the bagel, and it's winning a larger place in American gastronomy. Much of the credit for this change in U.S. eating habits goes to the Lenders, who have turned a modest hometown bakery into a thriving, automated and innovative enterprise.

by Priscilla Schwab **72**

## Exports

Despite our imbalance of trade, Commerce Secretary Philip M. Klutznick says this is likely to be our best year in history for exporting manufactured goods. And, he says, the trade problem can be solved with private-sector vigor encouraged by government.

**78**

## Benefits

The rise in wages is being outpaced by an upsurge in benefits that range from paid holidays to pensions.

by Fred D. Lindsey **82**

## Constitution

Several sections of the U.S. Constitution once served as an Economic Constitution. Weakened, they now do little to protect the economic rights of the individual.

by Dorothy M. Tella **88**

## Life-Style

When some business people look forward to play in after-work hours, what they are thinking about is playing music on a variety of instruments—or even composing it.

by John Costello **93**

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If the answer is "no," you should think carefully about whether they are the right people to be providing coverage to a growing company like yours.

Why?

Because an insurance company has to know the territory. Even better than you do.

Doing business in different places means complying with different laws, different requirements and different regulations of every kind. Even in this country, what's fine in one state may be prohibited in another. And when an insurance

## DOES YOUR INSURANCE COMPANY DO BUSINESS IN AS MANY PLACES AS YOU DO?

company's services go beyond insurance—as they should—into loss control, accident prevention, engineering, financing, construction bonds and even local real estate valuation—the need to know that territory becomes even more important.

But, since no businessman or businesswoman can foretell exactly where he or she will be doing business in the future, how can you pick the right insurance company today?

Simple. Find a company that does business everywhere. (Or almost everywhere.)

Like The Continental Insurance Companies.

The Continental Insurance Companies offer one of the most comprehensive collections of insurance coverages and services available from any insurer here or abroad. Packaged or individual policies—including boiler and machinery—for any size business. Bonds of all kinds. Marine and aviation coverages. Life and accident & health insurance. And Continental offers supplemental services ranging from premium financing to loss control and accident prevention programs to data processing. Plus one of the most efficient claims services in the industry.

And, what's more, we offer these Continental products and services just about everywhere in the U.S. and abroad.

Call your Continental agent—listed in the Yellow Pages—and find out all about our network of products and services. You'll discover that doing business with the Continental organization will not only make it easy for you to expand but will probably save you money as well. Because, in most cases, it's costly to change insurance companies or find one that writes particular coverages in a given locality.



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# WASHINGTON LETTER

► **NEW LABELING** and record-keeping rules for hazardous substances are expected from Environmental Protection Agency and OSHA, probably this month. Looks like major red-tape headache. Degree and nature of hazard would have to be spelled out on product label, by repackagers as well as producers. OSHA wants employers to compile detailed worker exposure records and keep them for 30 years. Special problem: OSHA requirement that hazardous components be identified down to 1 percent concentration. Competitors--especially foreign competitors--will appreciate that, say industry experts. Watch Federal Register for details.

► **REGULATORY REFORM** legislation isn't as dead as has been supposed recently. Moving with unusual speed, House Judiciary Committee reported long stalled bill to House floor two weeks before scheduled recess. Bill, which business favors, had been languishing at President's request. Why the sudden activity? Apparently strong grass-roots pressure, plus fear of a discharge petition initiated by Rep. James T. Broyhill (R-N.C.). In Senate, the Judiciary and Governmental Affairs Committees have been trying for months to reconcile differences on separate reform bills. Business lobbyists say that continuing grass-roots pressure will be needed to gain passage.

► **TAX CUTS** appear to be gaining favor with public. Could be important development, since subject has played major role in pre-election debate. Poll conducted in early August by The Gallup Organization for U.S. Chamber Survey Center shows surprising 2-to-1 support for tax cut this year.

Respondents divide evenly, 38 percent each, on whether it is more important to cut business or individual taxes. Forty-seven percent say cut of 10 percent in personal taxes would boost investment, while only 24 percent think it would add to inflation. Another important finding: People say they would work harder and save more if taxes were lower.

► **AMERICA'S HOMEOWNERS** may become pro-inflation lobby, thanks to government policies of last two decades. That's theory developed by Edward J. Kane, research associate at National Bureau of Economic Research. Combination of inflation and interest ceilings on passbook savings caused much of middle class to invest in real estate as hedge. It's rational response to inflation, says Kane. But heavy debt load incurred in process leaves many families extremely vulnerable to disinflation. When homeowners realize this, concludes Kane, they may demand continuation of inflationary policies.

► **"BILLIONS OF FEDERAL DOLLARS** are lost annually through fraud, waste and abuse," reports U.S. Comptroller General Elmer B. Staats, confirming widely held suspicions. New study from General Accounting Office, watchdog arm of Congress, summarizes series of earlier reports on lax financial controls at 11 federal agencies. GAO found deficiencies in "virtually all aspects of accounting operations." Labor Department alone had failed to record about \$218 million due the government, GAO observes, and "several Environmental Protection Agency offices had routinely made disbursements without determining if the amount of payment and



name of payee were correct." GAO urges Congress to pass laws giving agency heads greater responsibility for their agencies' financial controls.

► **ACCOUNTING PRACTICES** at all levels of government leave much to be desired, leading to search for official standards-setting body to do for government what Financial Accounting Standards Board does for private sector. Why not ask FASB to take on that job? Officially, government representatives protest that accounting systems of public and private organizations differ too much for use of consolidated regulatory body. Real reason, however, may be fear that private sector accounting experts would set standards that politicians might find confining.

► **FEDERAL OPEN-DATING** rules for food products may be coming. Agriculture Department and Food and Drug Administration are readying proposals. Why? Because "present efforts used to convey freshness information are confusing and unfocused," says Agriculture, which asserts that "prescribing a format for open dating and implementing a consumer education program would reduce much of the confusion." No plans have been revealed for reducing confusion inherent in programs for reducing confusion.

► **INCUMBENTS** have 95 percent chance of being reelected to U.S. House of Representatives, according to Institute for Social Research at University of Michigan. Many incumbents in present race will doubtless be glad to hear that. Institute researchers blame newspapers for doing poor job of balancing coverage between incumbents and challengers. Television, they say, is not major factor in House contests, because districts are too small.

► **GAP BETWEEN STATES** most and least-favored by federal largess is narrowing, says Advisory Commission on Intergovernmental Relations. In 1952, most-favored state, New Mexico, got \$2.99 in federal funds for every tax

dollar sent to Washington, while only \$0.53 went to Delaware. For 1976, comparable figures were \$1.82 to Alaska and \$0.70 to Illinois. Trend holds true for interregional as well as interstate comparisons. Reason for change, says ACIR, is growth of revenues from states receiving most federal money, rather than more even distribution of federal expenditures.

► **NEW LIMITS ON FARM** acreage eligible for federal water may come in lame-duck session of Congress following election. Subject arose when Interior Secretary Cecil D. Andrus announced intention to enforce 160-acre limit in Reclamation Act of 1902. Senate has passed bill setting limit at 1,280 acres, owned and leased land together. House is considering limit of 960 on owned acreage, plus up to 2,400 leased acres, under certain conditions. Issue pits some family farmers and environmentalists against consumers and those who feel size of farm should be determined by marketplace, not federal government.

► **NEITHER THE AUTO** nor its problems will go away soon, concludes parking industry study conducted by management consulting firm of Harbridge House, Inc. Predictions: Number of cars in urban areas will increase 70 percent by 2000; pollution and fuel consumption will decrease until 1990, then increase; per capita travel time in urban areas will increase 60 percent by 2000; government will bestow larger subsidies on both highways and mass transit, further straining budgets; threat of gasoline shortages will remain, and gasoline prices will continue upward climb.

► **"THE BEST** ongoing commentary . . . on the major economic issues confronting the nation . . ." is how foreword by former President Gerald R. Ford sizes up new book due this month from U.S. Chamber. It's collection compiled from first five years of "Voice of Business" newspaper columns written by Chamber President Richard L. Leshner.





"I made it despite myself."

# Success Forces

Can you be successful despite yourself? Here's how I did it.

By Joseph Sugarman, President  
JS&A Group, Inc.

It's a joke. I'm considered one of America's top copywriters and mail order entrepreneurs.

I never finished college, never took a course in business, advertising or creative writing, and even flunked English.

On top of that, I failed at almost everything I did. My list of failures would fill an encyclopedia.

Now you probably expect me to tell you that it was failure after failure until I hit upon the "wealth formula" or the "secret to success" or some other trite expression. Not true.

## ONLY SIX REASONS

What I've found about success is quite opposite the formulas you've read about or the misconceptions you've heard.

I simply took my few successes and many failures and discovered six reasons why I failed and six reasons why I succeeded.

The reasons I succeeded seemed like forces. Whenever I followed them, I achieved success. Whenever I didn't follow them, I failed. I soon called them Success Forces.

I used Success Forces to build my business from the basement of my home into America's largest single source of space-age products. I was successful. But was it a coincidence or was it a direct result of Success Forces? I really didn't know.

## MATERIAL THINGS

If you measure success by material things, I achieved quite a bit: several cars, airplanes, snowmobiles, motorcycles, four beautiful homes—all the material things I imagined I'd ever want.

And I had recognition. My success story was written up in several magazines. But it wasn't until after I revealed my Success Forces in a few speeches that I realized my concept would work for others.

I was getting letters from people who told me how one of my Success Forces had changed their lives. Others told me of how they used Success Forces to make extra money or achieve greater happiness. Still others who always thought of themselves as failures, became successful despite themselves.

But the whole thing seemed strange to me. Was Success Forces original? Something like it had to be in some other success book. So I read. I bought every success book I could find. I studied Chinese philosophy. I bought every motivational cassette that was offered. And I thoroughly studied the material.

I then discovered why my concept was indeed different. Success Forces lets you be yourself, and guides you towards making simple choices that can ultimately change your life. If you make the right choices, you are literally forced into success.

## MY \$2,000 SEMINAR

Although I was convinced that my concept was different, I wanted to be absolutely sure it would work. I decided to conduct a seminar with a select group of 16 people who would be willing to pay handsomely to learn my philosophies. My five-day seminar cost each participant \$2,000 and I held eight of them. All were sold out.

The success stories resulting from each seminar are already history. I taught a Texas farmer, a New Zealand rug merchant, a lady from Australia. There were people from all walks of American life, many of whom paid their last \$2,000 to attend.

Not all of the participants succeeded. But so many did become successful and so many told me later how I literally changed their lives, that I was convinced Success Forces should be available for everybody to use.

## NOW AVAILABLE

I am now making my concept available in a hardbound book entitled "Success Forces." It contains examples from my speeches and the philosophies from my seminar that participants paid \$2,000 to hear.

A few of the Success Forces you may already know and have been subconsciously following for years. Others, you may have been fighting, thinking that you would fail when all along you would have succeeded. A few of my Success Forces require action—the type of action that everybody can take and that requires no special skill.

This is not a step-by-step book on how to get into a business that promises "A Lazy Way to Riches," or a way to "Quit Your Present Job." It does not matter if you are in business nor whether you want to work hard, take it easy, or just plain be successful.

## TEACH HIM TO FISH

There's a saying: "You can feed a man a fish and he'll eat for a day. But teach a man to fish and he'll eat for a lifetime." My book will help you for a lifetime.

I'm not somebody who writes a book on how to make a fortune and then makes my fortune from the sale of the book. I've already made it. Nor am I going to send you a cheaply printed thin paperback. That's not my style. My book is a 200 page hardcover volume that I guarantee you will both enjoy and benefit from. In fact, I will go one step further. After you read it, wait one year. If you have not noticeably benefited from reading Success Forces, return your book to me and I will refund your money in full. Success Forces must give your life additional meaning within one year or your money back. It's that simple. This one-year return offer applies only to those individuals purchasing my book via mail order.

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He's around  
somewhere...

Ring-Ring-  
Ring-Ring-  
Ring-Ring

HE'S ON  
ANOTHER  
LINE...

BUZZ  
BUZZ  
BUZZ

RING-RING

HOLD ON PLEASE





# Is your phone system giving your clients the wrong impression?

## You need the Com Key system.



**The Com Key system helps small businesses serve clients better and faster. Only from Bell.**

Sometimes your phone system says things about you that aren't true.

It says that you're rude and inconsiderate. That you don't want to be bothered.

All because calls don't get through to the right person. And some calls don't get answered at all.

There's a very simple solution to this oversight. The Com Key® 416 system by Western Electric.

### **"He's out of the office..."**

With the Com Key system, your business doesn't go out the door when you do.

Thanks to Conference calling,\* your secretary can call you and connect you to important calls — quickly — wherever you are.

Very reassuring.

### **"He's on another line..."**

The Com Key system also has a built-in feature that makes sure client calls always get through to the right person. Fast.

It's called voice signalling.

Your secretary can inform you discreetly over the intercom that a second call is on the line. Without even interrupting your conversation.

Very thoughtful.

### **"He's around here somewhere..."**

The Com Key system also makes sure clients aren't put on hold forever while your office hunts and searches for the person being called.

With the Com Key system's paging option, anyone in virtually any part of the office can be located within seconds.

Very tenacious.

### **There's more to the Com Key system.**

We've described just a few of the ways the Com Key system can help a small business with two to four phone lines communicate better.

There's even more to the Com Key system. Like flexible ringing, music on hold, hands-free answering. Even a personal line nobody else can use to make sure important calls always get through to you.

Call your local Bell System company today for details.

And put in a phone system that's just as thoughtful and considerate as you are.

**The Com Key system by Western Electric**

\*Voice quality may decrease depending on the distance between conferees and the number of persons on the Conference call.





## Adjustable Caps

WITH EMBLEMS

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- Style No. \_\_\_\_\_ How Many \_\_\_\_\_
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Price includes one 1-color emblem sewn on front of cap. (Minimum Order — 72)

72	144	288	432	564	728
\$3.65 each	\$3.10 each	\$2.90 each	\$2.85 each	\$2.75 each	\$2.65 each

## FREE Jackets

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- Please state jacket size and color.
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WITH EMBLEMS



Sizes: Adult S - M - L - XL - XXL - XXXL  
Youth S - M - L - XL

Colors: Available in same colors as Caps.

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Quantity	1-30*	31-99	100-399	400 & Over
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STYLE NO. 436C Heavy Pile Lined	\$22.95* ea.	\$20.95 ea.	\$19.95 ea.	\$18.95 ea.
STYLE NO. 436D Sherpa Lined	\$27.95* ea.	\$25.95 ea.	\$24.95 ea.	\$23.95 ea.

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## LETTERS

# Cream for Congress?

I was surprised and disappointed at the editorial advocating a standby gasoline tax in a misguided effort to reduce consumption ["Gas Tax: The Price Is Right," August].

This scheme goes against the basic law of supply and demand. The price of gasoline should—and is—being allowed to increase. The punitive tax would merely add an unnecessary burden on the American public. Rebates? The temptation would be too great for Congress to take the cream from the top.

EUGENE W. ROBBINS  
Austin, Tex.

## E for effort

Re: "Discount Squeeze Troubles Grocers" [Outlook, August]. The long-term consequences of the variable discount provision of the Motor Carrier Act are indeed uncertain. However, Representative Elliott Levitas (D-Ga.) and several of his House colleagues including Representative John Ashbrook (R-Ohio), Representative John Dingell (D-Mich.), Representative Norman Mineta (D-Calif.) and Representative Henry Gonzalez (D-Tex.), recognized the potential danger of this provision and worked tirelessly to strike it. Their efforts on behalf of small business should not be overlooked.

HERBERT LIEBENSON  
Washington, D.C.

## Smoking data

Re: "Drop in Death Rate Sparks Lively Debate" [Outlook, August]. A study by the State Mutual Life Assurance Company shows that smokers' mortality rates are two or more times those of nonsmokers. Since 1964, the number of cigarette smokers in the adult U.S. population has dropped from 42 percent to 33 percent; this

translates to approximately 15 million fewer adults smoking now than 15 years ago. This substantial shift in smoking habits has been responsible for much of the improvement in overall mortality.

MICHAEL J. COWELL  
Worcester, Mass.

## Solid planks

The article, "Party Platforms: Studies in Silly Putty," [August] was true in its analysis of Democratic and Republican platforms. The study, however, could have been much more interesting had the Libertarian Party platform been compared with the Republican and Democratic Silly Putty.

Where the Republicans and Democrats are mushy and vague, the Libertarians are forthright: "We call for the abolition of the civil service system, which entrenches a permanent and growing bureaucracy upon the land." The Republicrats are interested only in political cosmetics.

JAMES R. FITZGERALD  
Fort Collins, Colo.

## Simple solution

Re: "Everyone Cannot Come Out Ahead" [Outlook, August]. The basic reason for the ever-increasing number of retired people is increased longevity. The life expectancy is now five years longer than in 1935 when the Social Security Act was passed. The obvious remedy is to change the retirement age from 65 to 66 and be prepared to change it again when necessary. I suppose this is too simple a solution for Congress.

H. G. HOLCOMBE, JR.  
Amston, Conn.

## The native VW

I saw a bumper sticker that advised: "Buy American—Your Job Depends on It." The bumper was on a Volkswagen. That VW owner was saying what most of us know: "Sentiment is great, but when the chips are down, I'll opt for personal economics."

H. F. KNIGHT  
Terrace Park, Ohio

Being of the same mind as Norma Strong, whose letter was published in the August issue, I ordered a Chevrolet Citation, standard transmission and

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Ohio Scientific has developed a new approach: Automated Information Management.

This system allows you to replace rooms of filing cabinets with one small computer system. Your office and clerical employees can instantly file and retrieve information, generate lists, reports, labels, forms and perform computer analysis—all without any programming. This

system allows you to computerize the office functions which are most vital to your business immediately, without programming; whether it be inventory, client records, mailing lists, personnel, prospective customers, orders, quotes, jobs, material costs or accounts receivable / payables. Virtually any files of important and often-referenced information can be immediately computerized on this system.

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Ohio Scientific has developed a revolutionary new line of small, fast, economical computers which store from 7 million alphabetic characters to 80 million characters "on line", and can access this information in

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four cylinders. It did not have all the attributes I wanted in a car, but I wanted to buy American. My local dealer explained that it would be at least a seven-week wait. After 20 weeks and many calls to my dealer, I canceled my order out of frustration and bought a Volkswagen which was delivered within one week.

A. I. SUGIHARA  
New York, N.Y.

### Why Johnny can't think

Julian Simon is saying that it is all right to lose prime agricultural land to urban sprawl because we can, by expending more energy and effort, reclaim less desirable land at a greater rate [Outlook, July]. We should perhaps devote less time to asking why Johnny can't read (many Johnnys never could and were not expected to) and ask instead why so many of our "educated" community can't think.

W. J. FULLER  
Royal Oak, Mich.

### Giving up

James J. Kilpatrick's August column, "Who's Running the Store?," was absolutely excellent and then some.

America's easy acceptance of rule by bureaucracy is increasing every day. The majority of the American populace seems to prefer more and more government and less and less responsibility for themselves.

AUSTIN KELLAM  
Binghamton, N.Y.

Mr. Kilpatrick accurately diagnosed the ills of our political system, but overlooked the remedy. Our form of government is a republic, not a democracy. We need to return to our rightful form of government, a republic, and limit the power of government by adhering to the Constitution.

A. W. BORLEY  
Stockton, Calif.

### \$400 a page

Re: "The Federal Taste for Waste" and Washington Letter [June]. Every day the *Congressional Record* contains many pages of material irrelevant to the responsibilities of Congress. These irrelevancies include tributes to contest winners, civic groups and bands. Such trivia cost the taxpayers \$400 a page just for printing alone. In addition, Congress needs to cut the number

of subscriptions that members can hand out to constituents and stop giving members expensive leather-bound sets of the *Record*.

REP. DAN GLICKMAN (D-KANS.)  
Washington, D.C.

### Memory line

"They Hear the Whistle Blowing" [July] left me with a haunting memory. Although I don't work with model trains, I do enjoy them. I worked on railroads in both the steam and diesel days. Some years ago I wrote the following lines:

*Listen! Can you hear the call?*

*A mournful sound on ear*

*will fall.*

*Across the prairie in loud refrain,*

*Down the valley, then back*

*again.*

*Harken now! What does it say?*

*Soon it slowly fades away.*

*Rushing on in swiftest flight*

*A train is speeding through*

*the night.*

*In winter snows and summer*

*rains,*

*I hear the call of whistling*

*trains.*

CURTIS LENNANDER  
Minneapolis, Minn.

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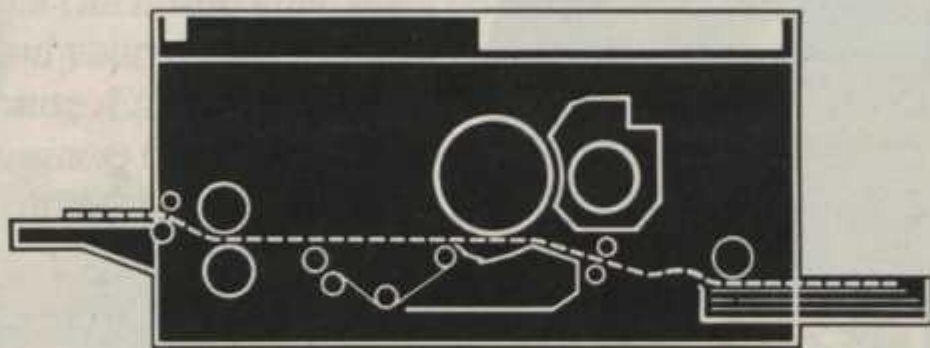
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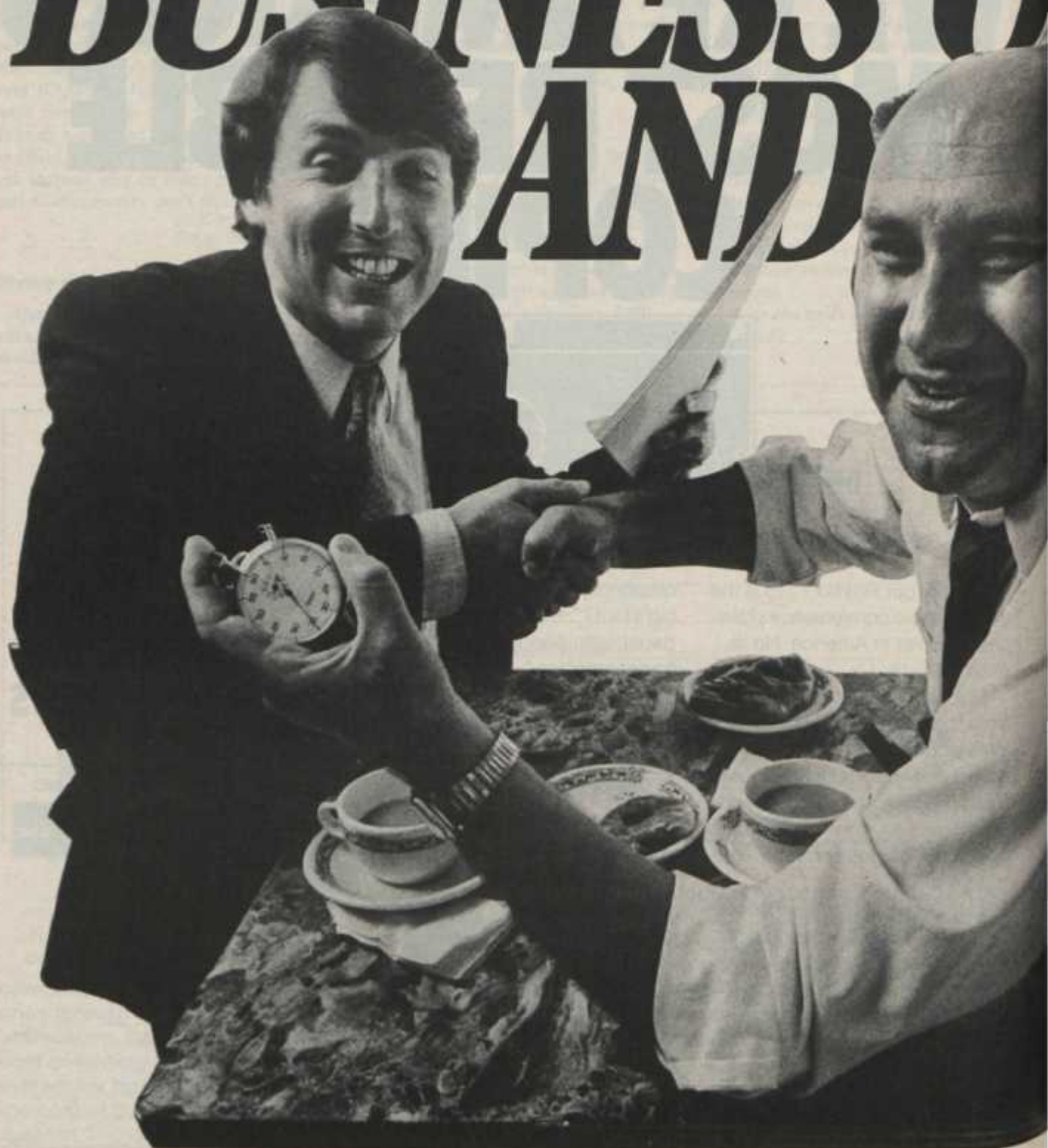
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## Of Bilingualism and Common Ties

**A**FTER A SERIES of six public hearings across the nation, the Department of Education is about to draft final regulations dealing with bilingual education in our public schools. The matter merits much more attention than it seems to have drawn so far. It is high time to pause and reflect on whether we are drifting, not only in bilingualism but also in federal control of local schools.

The pending regulations are a consequence of one of those many mindless moments on Capitol Hill, when Congress sets out to do good without thinking how the good is to be done. The Civil Rights Act of 1964 decreed that no person was to be discriminated against by reason of national origin in any program funded in part by federal taxes. The Elementary and Secondary Education Act of 1968 extended this principle specifically to the problem of bilingualism in the public schools. The following year 25,000 children received some modest assistance in federally aided programs.

In January, 1974 the Supreme Court weighed in with *Lau v. Nichols*, 414 US 563. The case involved Chinese-speaking pupils in the public schools of San Francisco. Speaking through Mr. Justice Douglas, a unanimous Court made an obvious point: "Students who do not understand English are effectively foreclosed from any meaningful education."

The Court ordered the city to fashion appropriate relief by teaching the Chinese children to master English, or by teaching them in Chinese or by some other means.

**O**UT OF THIS SEQUENCE of events, a bureaucratic garden has flowered. The new Department of Education contains a whole division charged with bilingual instruction. Somewhere between 300,000 and 400,000 children will be participating in the program this year. Counting state and local funds, the cost now approaches \$700 million annually, and the end is not in sight. While 65 percent of the program embraces Spanish-speaking minorities, other significant numbers involve Chinese, Japanese, Filipinos and American Indians. *Time* magazine reports that "bilingual ed is now a federally enforceable right for children speaking any one of 70 native tongues, from Yupik to Yapeze, from Vietnamese to Russian."

The tentative regulations put out for discussion in the September hearings are couched in typical bureaucratic prose. Perhaps someone up there needs lingual education. Children would be classified as



"limited-English-proficient," or as "primary-language-superior," or perhaps as "comparably limited" or even "English superior." All would be regularly assessed and reassessed. Bilingual classes, as such, would be mandated. Pupils would continue to be specially aided for a maximum of five years. And so on, and so on.

One trouble with doing good is that do-gooders seldom know where to stop. If a little good is good, more good must be better. There can be no disagreement with the Supreme

Court's fundamental proposition. Regardless of statutory requirements, public schools have a moral and professional responsibility to educate children who do not speak English. But once that has been acknowledged, much greater values enter the picture.

**A**S I SEE IT, a mistake of possibly calamitous consequences will be made if we officially encourage bilingualism as a continuing public policy. Our vast and diverse country has endured as "one nation," in the language of the Pledge of Allegiance, because of the common ties that bind us together—a common Constitution, a common currency and, above all, a common language. We cannot wisely ignore the melancholy experience of other nations, such as Canada and Belgium. To foster bilingualism as a kind of civil right or "right of self-determination" is to invite schism and dissension.

There is a second problem in all this. The Supreme Court never undertook to spell out the form of relief. The Court carefully left this to lower courts and, by implication, to individual communities. But the pending regulations would apply nationwide; they would mandate specific uniform procedures; and they could prove to be monstrously expensive. If the example of handicapped children is to be followed, individual bilingual instruction may have to be provided to every pupil who is "primary-language-superior" in the most exotic tongues. What has become of all the lofty promises contained in the act creating the Department of Education? The act specifically forbids the department from increasing the authority of the federal government over local schools.

Generations of immigrants have mastered English without such bureaucratic crutches. Sink or swim, they hurled themselves into the mainstream—and they made it. Given limited and wholly transitional aid in the schools, there is no sound reason why today's minorities should not be expected to go the same way. □



## WHO SAID THAT?



**“I’ll wager that 90 percent of everything we will hear, you have already written about,” Sen. Birch Bayh (D-Ind.), chairman of the Senate Judiciary Subcommittee investigating Billy Carter, told reporters covering the hearing. “Until you stir the pot, you can’t say whether you have a mouse or a dinosaur.”**

**“There comes a time when one has to face facts, and the fact is that this Department [of Energy] is a painful failure, beyond much hope of repair through internal organization.**

**I believe that ultimately the Department may have to be scrapped,”** says Sen. Thomas Eagleton (D-Mo.), one of the original supporters of the DOE.

**“There is no excuse for a lame-duck session of the Congress. It can be of no value whatsoever to the people. Congress is out of control, and so is the budget, the economy and the deficit,”** says Rep. Ron Paul (R-Tex.).

**“We used to call this phase of a campaign year ‘the silly season.’ But ‘silly’ is too mild a word to describe some of the reckless and dangerous flim-flam being tossed around this year,”** remarked Secretary of Agriculture Bob Bergland at a joint meeting of the Iowa Association of Soil Conservation District Commissioners and the Iowa Association of Farmer Elected Committeemen.





# Some want to keep our land unspoiled. Some want to explore it. We want to explore without spoiling.

There's a strange either-or proposition building up in this country.

It's one that says either we completely preserve our public lands by turning them into permanent wilderness, or we tear them

And what are we doing about it?

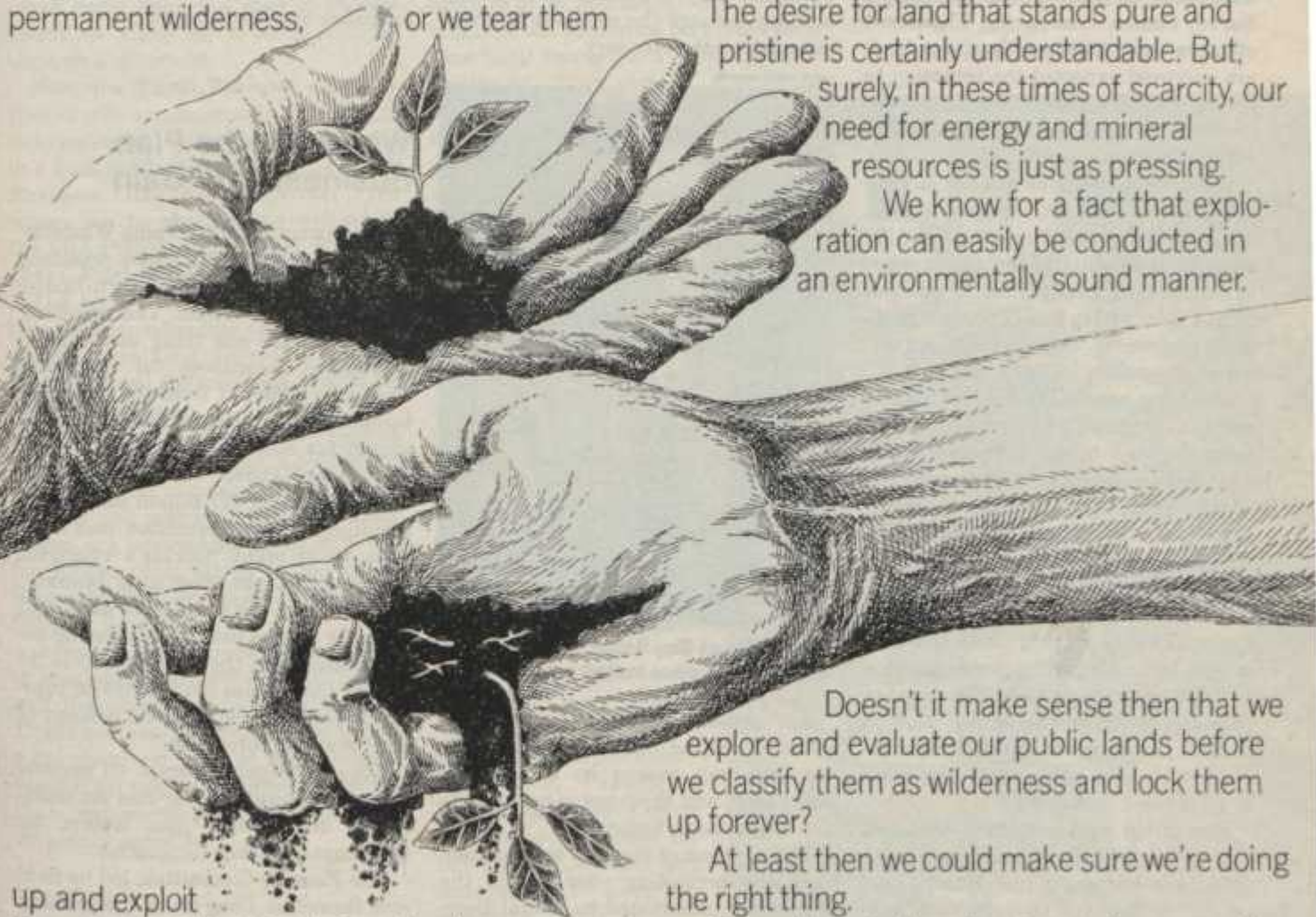
In recent years, through legislation or administrative action, 130 million acres of the 760 million that the federal government owns have been completely withdrawn from exploration of any kind.

And there's more legislation pending which, if passed, will mean that, in total, as much as 71% of our public land could be set aside.

All without ever finding out first, through preliminary exploration, what the resource potential of that land really is.

The desire for land that stands pure and pristine is certainly understandable. But, surely, in these times of scarcity, our need for energy and mineral resources is just as pressing.

We know for a fact that exploration can easily be conducted in an environmentally sound manner.



up and exploit them to the fullest for their natural resources.

We've got to believe there's an acceptable middle ground between these two extremes.

Because neither is really in the long-range interest of our country.

Look at the facts. Our public lands currently supply only 10% of our energy. Yet they actually contain about half of all our known domestic energy resources — vast amounts of coal, oil shale, tar sands, crude oil and natural gas.

Doesn't it make sense then that we explore and evaluate our public lands before we classify them as wilderness and lock them up forever?

At least then we could make sure we're doing the right thing.

To continue in the direction we're presently going could well be one of the most self-defeating steps we've taken in this century.

Or so it seems to us at Atlantic Richfield.

## There are no easy answers.

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# OUTLOOK

## THE ECONOMY

### Business Leaders' Confidence Rises

Business executives have perked up in recent months and are more confident that the recession will be short-lived, according to the U.S. Chamber's Survey Center. Last spring, 75 percent of more than 1,000 top business leaders surveyed expected the recession to go on for two years. A new survey shows 54 percent believe the recession will end within a year.

However, executives are not so optimistic about inflation. The new survey, taken in July and August, gives a 57 percent probability to the continuance of double-digit inflation for 12 months. That's a drop from the 77 percent probability given in the previous survey, which was taken in April and May.

More top executives are looking forward to increased profits. Thirty-seven percent expect higher pretax profits in 12 months, compared to 21 percent last spring. Executive confidence is also reflected in attitudes toward capital investment. Forty-eight percent think now is a good time to reduce inventories, compared to 61 percent last spring. Twenty percent think the time is ripe to undertake major expansion of buildings and capacity, compared to only 10 percent in the spring. And 26 percent think this is a good time to replace tools and equipment, compared to 15 percent in April.

Executives surveyed have switched on the likelihood of wage and price guidelines becoming mandatory. Last spring, 65 percent thought such controls were likely within two years. In the latest survey, the figure is down to 29 percent.

### Panel Urges Shift In Recession Policy

Has the federal government been completely off base in its handling of the six recessions since World War II?

The highly respected Joint Economic Committee—composed of 20 senior senators and representatives of both parties—thinks so. It recommends that

the U.S. stop treating recessions as temporary emergencies requiring hasty remedies and look instead to long-term remedies.

So-called countercyclical programs to shorten the duration or reduce the intensity of recessions have simply not worked, the committee says in a report. In fact, it says, such efforts may actually damage the economy by overstimulating the recovery.

PHOTO: BRUCE HOEDEL



JEC Chairman Sen. Lloyd Bentsen favors long-term remedies to limit recessions.

For some time there has been a growing feeling on Capitol Hill that the economy cannot be successfully fine tuned, and this view is reflected in the committee's findings.

During most of the past quarter century the prevailing view within the committee, dominated by liberal Democrats, has been to stimulate demand as a means of combating recessions. Now that view is changing under the more conservative leadership of Senator Lloyd M. Bentsen (D-Tex.), and the committee is leaning toward an approach calling for more production rather than more consumption.

The government's use of economic forecasting is assailed by the congressional panel. "The onset of a recession is rarely, if ever, accurately anticipated," it says, "and the existence of a recession may not be known until

several months or quarters after it has begun."

Even when a recession has been pinpointed, the committee notes, it is not possible to predict how deep or long it will be. The committee says the government should abandon hit-or-miss responses and design initiatives to improve the economy's structure and performance over the long run.

## TAXES

### Whatever the Plan, Business Will Gain

The tax cut fever sweeping Washington has infected both major presidential contenders and a significant segment of the Senate. The resulting proposals have one thing in common: attractive incentives for business. That's far different from the one-third business, two-thirds individual split of earlier tax cuts.

President Carter intends for more than half of his \$27 billion package to stimulate capital formation and business investment. Carter's changes, which would take effect next January, would reduce the number of asset and industry classes used in calculating depreciation from the current 130 to 30 or less. Companies could write off capital investments in about 60 percent of the time now permitted.

Ronald Reagan favors a 10 percent across-the-board tax cut and an accelerated depreciation plan favored by the Senate Finance Committee.

The Finance Committee, led by Senator Russell B. Long (D-La.), is pushing for a \$39 billion cut before the new Congress takes over in January. The committee's accelerated depreciation plan slashes the number of asset categories to four. A business lobbyist describes the committee bill as "doing significantly more for business than any other tax bill in 15 years."

The odds for any tax bill this year before the election or in a lame-duck session remain uncertain. But, in the lobbyist's words: "At least business investment is being seen as the major way to speed economic recovery."



## SMALL BUSINESS

### Survival Tips For Rough Times

For small businesses everywhere, the combined effects of inflation and recession in the months ahead will make negotiating the road to success about as risky as driving blindly through a minefield.

Now, the Small Business Administration offers assistance in the form of nuts-and-bolts information contained in a book entitled *Protecting the Small Business Cash Flow Lifeline*. Free copies can be obtained by writing to the SBA Publications Center, P.O. Box 15434, Fort Worth, Tex. 76119.

The book offers tips covering three broad areas: managing cash from operations, obtaining operating capital from external sources, and federal assistance programs.

In all there are 55 tips. They explain management practices adopted by small business in coping with credit restraints and economic hardship. Businesses are encouraged to submit tips for future publications to the SBA's Economic Stability Task Force in the Office of Advocacy.

Apparently, the need for such how-to booklets is substantial: In 1975, Dun and Bradstreet conducted a study of 11,432 business failures and found that more than one third of the firms suffered from mismanagement of operating expenses, receivables and inventory accounts.

## ENERGY

### Appliance Standards Spark Opposition

Department of Energy regulatory analysts are mulling over an outburst of opposition to proposed energy-efficiency standards. The opponents are manufacturers of refrigerators, freezers, clothes dryers, water heaters, room and central air conditioners, kitchen ranges and ovens, and furnaces. DOE closed the public comment period last month; final regulations

are to be out by the end of December.

If experience is any guide, says one industry source familiar with the year-long debate over how energy-efficient appliances should be, the most onerous proposals will be modified, though to what degree is uncertain. One regulation would require periodic testing of samples of an appliance, with no shipments of the appliance permitted each time until receipt of a DOE approval certificate. "That process could take one week at best to three months," says Frederick H. Hallett, a vice president of White Consolidated Industries, Inc., the third largest appliance maker. "Meanwhile, the manufacturer pays for extra warehousing."

The industry's chief objection to the proposed standards—they fill 110 pages in the *Federal Register*—is the certification and enforcement scheme, which was developed from the stringent controls used to monitor production of nuclear isotopes and similarly critical items. "The result is overkill," says Hallett. "It's like using a mountain to cover a molehill." Andrew J. Takacs, a Whirlpool Corporation vice president, agrees. He told the DOE at a Chicago hearing the program would be costly to consumers (DOE estimates an average of \$317 million to \$443 million annually between 1982 and 2005), difficult to administer and disappointing in the amount of energy saved.

How much would be saved? DOE claims \$1 billion worth of energy a year, which sounds impressive, except that home appliances account for only 4 to 5 percent of U.S. energy consumption and that \$1 billion is the equivalent of only a 1 to 2 percent saving on the national energy bill per year.

## AGRIBUSINESS

### Foreigners' Slice Of a Very Big Pie

Foreign ownership of American farmland is increasing, but how much does it add up to? Not much, relatively speaking, according to an Agriculture Department report.

The department says foreign groups

PHOTO: JIM PICKERELL—BLACK STAR



A fight is brewing over energy-efficiency standards.

and individuals controlled 5.6 million acres of our agricultural land as of last February 1. This amounts to 0.4 percent of U.S. agricultural land.

And the foreign investment shrinks under further examination. Some 800,000 acres were actually owned by Americans holding land jointly with foreigners.

Who were the foreigners? Individuals, of course, but also entities such as



corporations and institutions that have at least 5 percent foreign ownership. The Agriculture Department has no breakdown, but as of February such entities had 54 percent of foreign-held American farmland.

Much of the foreign ownership was concentrated in the South. The bulk of the foreign investors are from Canada, the Netherlands Antilles, West Germany, the Netherlands, Luxembourg and Britain.

## GOVERNMENT

### Commission Raps Congressional Role

The federal system is out of control, and Congress is a major cause.

Those are strong indictments, especially since they are leveled by a commission that Congress itself created (in 1959) to monitor federal-state-local governmental relations and recommend changes. The bipartisan Advisory Commission on Intergovernmental Relations says in *A Crisis of Confidence and Competence*, the first of an 11-volume study, that "neither public officials nor the general public comprehend fully the new complexities of domestic policy." And, it says, they do not "adequately control—or even check—the myriad forces" that have generated these complexities.

Among trends adding to complexity, the commission says, are the overall growth of the federal government since the 1930s; its involvement in virtually every function from economic and social tasks to achieving innovative environmental goals, and the mounting burden of federal regulation, paperwork and general intrusion into the activities of individuals, businesses and local governments.

Such trends add up to a very real shift toward national government and away from state and local governments and private power centers, the commission says. It believes there should be a reversal.

The commission says: "Our findings belie the notion that Congress acts as a great rubber stamp for presidential, bureaucratic or interest-group initiatives. In fact, in many instances the opposite is closer to the truth."

In volumes to come, Congress is depicted as quick to take up minor issues and preoccupied with narrow concerns. Relatively little time is devoted to major responsibilities, such as the economy, the commission says.

## INTERNATIONAL

### The High Price Of Protectionism

Protectionism is costing consumers a bundle, and a recent Federal Trade Commission study concludes it isn't worth the price.

The FTC's Bureau of Economics examined five products—CB radios, color televisions, textiles, nonrubber shoes and sugar—and found that import restrictions on these items alone cost consumers \$2 billion annually.

Despite fears expressed in some quarters that lowering import barriers might aggravate the U.S. balance of payments problem and increase unemployment, the FTC report argues that the cost of trade restrictions far exceeds their value.

The report's authors suggest liberalizing trade restrictions in the direction of a free-trade economy, in which the U.S. would import products that can be produced relatively cheaply abroad and concentrate on manufacturing those that can be produced more cheaply here. David Tarr, the Bureau of Economics' senior economist for industry analysis, says this approach would mean greater emphasis on production of agricultural products, computers, photocopying equipment and other high-technology items.

## CORPORATIONS

### Growing Need Seen For Preventive Law

Corporate lawyers will spend more time practicing preventive law in the next five years, according to a survey of top executives and legal officers in 237 big companies. And the single greatest legal problem confronting corporations will continue to be compliance with government regulation, say 98 percent of the respondents.

Interpreting what business can and cannot do under sometimes conflicting and frequently ambiguous regulations requires involving a company's legal department in developing corporate strategies, 54 percent of the executives say. "The business environment has become so complex that more assistance from the legal department is essential," says William K. Zinke, president of Human Resource Services, Inc., New York, a management consulting firm that commissioned Opinion Research Corporation to conduct the survey.

"Legal input in all areas will be needed to avoid problems with the government, costly litigation and unfavorable publicity."

Zinke feels that lawyers accustomed to analyzing a legal problem after the fact—for example, drafting a response to a Federal Trade Commission complaint about an advertisement—will concentrate more on anticipating legal problems in the early stages of planning a product or sales campaign.

"In order to play an active role in preventive lawyering," Zinke says, "chief legal officers will have to know what is going on in all parts of the corporation." This will require that legal staff be dispersed throughout the company instead of being located only at corporate headquarters, he adds.

## REGULATION

### Would a Consensus Yield Common Sense?

Although the long-awaited comprehensive regulatory reform bill is finally moving, legislators are also considering a new way of fashioning regulations. Known as "reg-neg" in Capitol Hill parlance, the concept involves negotiations among business, labor and special interest groups aimed at making the rule-making process cooperative instead of confrontational.

A test of the reg-neg concept is being drawn up by Senate Governmental Affairs Committee staff members, and a bill is likely to be introduced early in the next Congress, if not sooner. The test would focus on a few federal agencies: Their proposed regulations would be reviewed by panels of business, labor and consumer groups to develop satisfactory compromises.

Supporters of reg-neg believe more sensible regulations would result from cooperative efforts by the people who would be affected.

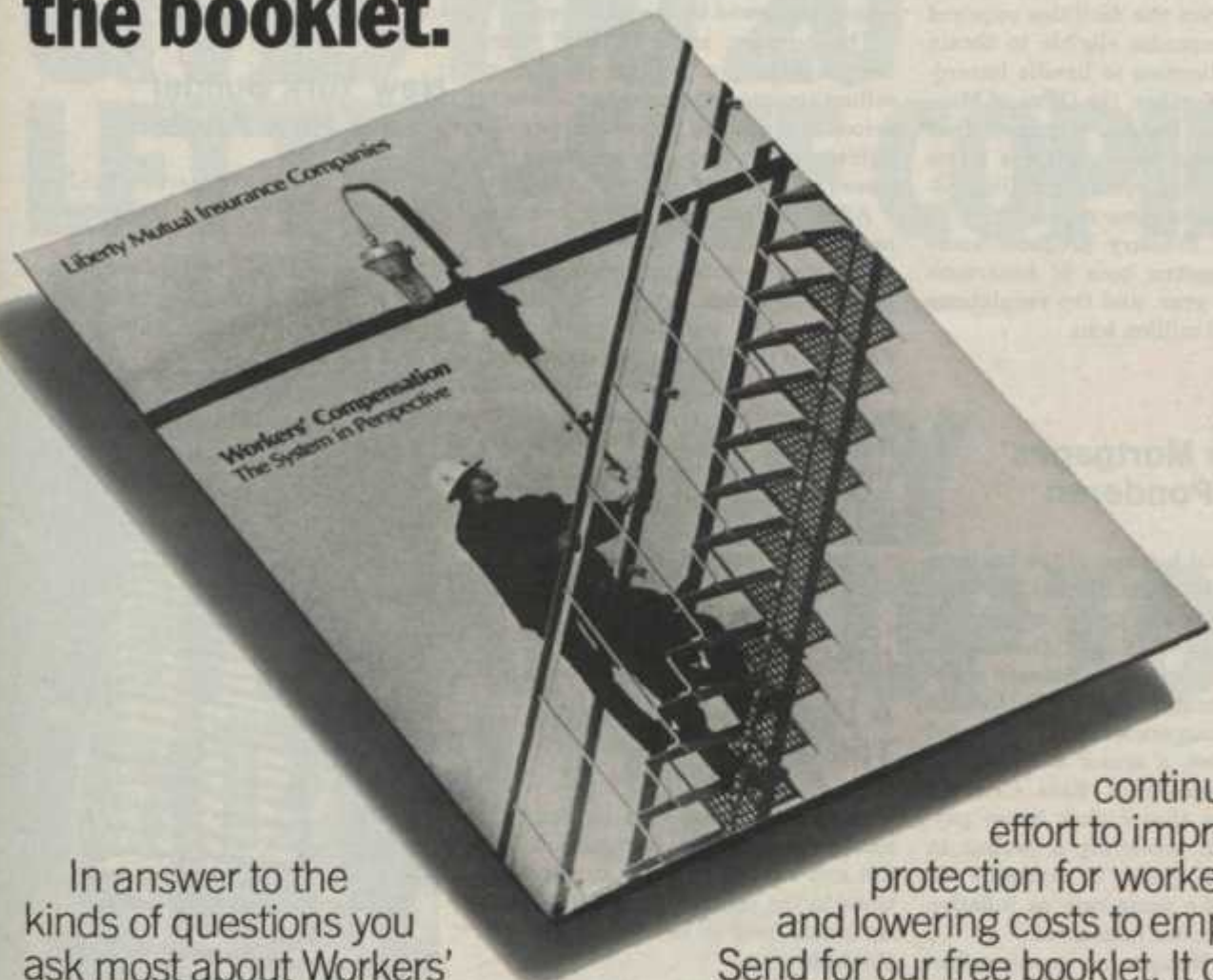
Opponents have not yet mobilized, but may object that reg-neg would interfere with agencies' implementation of laws or could end up being too easy on business.

### New Waste Controls Carry Heavy Costs

While the chemical industry generally supports the Environmental Protection Agency's planned new regulations to help monitor hazardous wastes, there is no doubt that compliance will be costly in both productivity



# The people who wrote the book on Workers' Compensation just wrote the booklet.



In answer to the kinds of questions you ask most about Workers' Compensation, Liberty Mutual Insurance Company has prepared a free booklet entitled "Workers' Compensation - The System in Perspective."

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and actual dollars. The controls, intended to monitor more than 500 waste products, are to be implemented November 19. EPA Assistant Administrator Eckardt C. Beck estimates compliance will cost at least \$500 million a year.

That is on top of the \$1 billion needed to construct the facilities required to make companies eligible to obtain permanent licenses to handle hazardous wastes. Further, the Office of Management and Budget estimates that just completing the compliance forms will cost industry some 5.2 million additional hours of labor annually.

American industry produces some 57 million metric tons of hazardous wastes each year, and the regulations will affect 40 million tons.

## FINANCE

### Variable Mortgages' Effects Pondered

What would happen to the business cycle if much of the current \$872 billion in home financing was in variable-rate mortgages? Could these new mortgages' potential to increase or decrease consumer disposable income overnight exaggerate economic trends?

David Cross, a senior economist at Chase Econometrics, Bala Cynwyd, Pa., suggests that higher house payments might accelerate a decline in the business cycle "if payments increased at the same rate as inflation and interest rates in general."

Marshall Kaplan, an economist at the Federal Home Loan Bank Board in Washington, believes the effects would not be severe. "The impact of the maximum allowable increase, one half of 1 percent a year, would be relatively small," he says, "and would not matter much in the short run."

In contrast to traditional 30-year fixed-rate mortgages, variable-rate mortgages are adjusted periodically and can fluctuate 2½ percentage points over the life of a loan.

### FTC Proposes Tough Curbs on Creditors

There's a line in *The Rubaiyat* of Omar Khayyam that goes: "Ah, take the Cash, and let the Credit go."

The consumer-finance industry handles billions of dollars of both. Now the Federal Trade Commission has proposed a rule that has two key provisions to give borrowers added

protection regardless of how they pay for goods and services. The provisions:

After a default, creditors could seize only household items purchased under the defaulted credit contract. And a creditor could seek fair retail market value in selling a repossessed item only if the creditor sought to collect money still owed by the borrower.

The purpose, say FTC staff members, is to end a creditor practice of selling repossessed products at distress prices and making borrowers pay the difference between the amounts received and the amounts still owed.

Affected would be credit contracts used by department stores, credit card companies, personal and automobile finance companies, and other lenders that are under the FTC's jurisdiction. Further, if the FTC ultimately adopted the rule, the Federal Reserve Board as well as the Federal Home Loan Bank Board would be required by law to consider imposing the regulations on banks and savings and loan associations as well.

Business people have until October 21 to comment on the proposed rule.

## PERSONAL

### A Divorce Can Help The Job Seeker

Divorced persons may be under no handicap in the management job market and may even have an edge, but those in the middle of a marital breakup should hang on to their present jobs if possible.

These are among conclusions to be drawn from a survey conducted among employment experts by National Personnel Associates, a network of 237 personnel agencies. Sixty-one percent of the respondents say a previous divorce is no disadvantage for the job applicant, while 31 percent say it is. But 84 percent say that being in the process of a divorce is a disadvantage.

"Divorced persons are hot employment candidates because they are independent," says Phil Orlesky of Fort Garry Personnel Services, Ltd., Winnipeg, Manitoba (Canada). "Employers feel they are more devoted to the job and career than marrieds or singles."

Another job advantage which divorced persons supposedly share: ease of relocation.

However, Helen Piers Browning of Mutual Personnel Service, Macon, Ga., points out that there is a distinction between divorced men and divorced

women. She says: "A divorced female with children is highly prized for long-term, management-oriented positions because she will have to work and will make the necessary life-adjustments to succeed. But a divorced man is often shunted aside in sales because he lacks the proper domestic base for entertaining clients and projecting a sense of long-term stability."

### New York Builder Has a New Angle

There'll be extra corners on the New York City office building market come next August.

"A good office is a form of compensation," says Melvyn Kaufman, vice president of the William Kaufman Or-



Corner offices command a premium, so this new building will have six per floor.

ganization, New York building developers and operators. "People ask: 'How close are you to a window?' and 'Do you have a corner office?'"

Kaufman, whose firm owns nine large office buildings in the city, hopes to fill 767 Third Avenue, now under construction, with small firms—accountants, lawyers, public relations practitioners and admen. The new building will have a feature that he thinks will be a special attraction. It will have six prime corner offices per floor. □



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VOTE

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# Voters Who Could Swing The Elections

By Vernon Louviere

*"At the bottom of all tributes paid to democracy is the little man, walking into the little booth, with a little pencil, making a little cross on a little bit of paper—no amount of rhetoric or voluminous discussion can possibly diminish the overwhelming importance of the point."*—Winston Churchill

**H**OW MANY Americans will choose to pay tribute to democracy by voting in the national elections next month is a question which alternately raises and lowers the hopes of the two principal candidates for the Presidency.

The political futures of Jimmy Carter and Ronald Reagan, and to some extent John Anderson, hinge not necessarily on the total vote, but on the kinds of voters who turn out on November 4. If union members and their families stay home in huge numbers, notably in the key industrial states, President Carter's re-election chances will be severely crippled.

On the other hand, a heavy turnout by people who do not vote regularly in great numbers—for example, evangelical Christians, whose ranks are variously estimated at 30-65 million and who hold strong conservative views on such issues as abortion and national defense—would be a boon to Republican presidential hopeful Reagan. And, of course, if voter apathy toward both Carter and Reagan is as deep-rooted as some surveys suggest, the beneficiary would be independent candidate Anderson.

Obviously, the candidates are anxious to get their own supporters to the polls, especially where huge voting blocs are at stake, and get-out-the-vote drives are in full swing. Whether this will reverse the steady decline in the percentage of those of voting age who go to the polls—down from 63.1 percent in 1960 to 54.4 percent in 1976—cannot be predicted. By some accounts the percentage of eligible voters casting ballots in this presidential election could fall below 50 percent for the first time in history.

Both business and the unions have active campaigns under way to encourage a larger than usual vote in this year's elections, which not only will de-



termine who will be President, but which will also set the tone for the kind of legislation that will move through Congress in the next two years. The elections also will shape the makeup of 50 state legislatures that will reshuffle congressional boundaries on the basis of this year's census.

Federal election laws have rigid limitations on what business and unions can do in federal elections, but there is enough latitude to allow them to spur their workers and members to vote. In fact, in the case of business, amendments to these laws clear the way for corporations to urge their stockholders and executive employees and their families to vote for particular candidates. Corporations, however, must scrupulously avoid partisan communication with their employees, although they are free to distribute voter guides, support get-out-the-vote drives and engage in other similar activity.

As far as unions are concerned, they may use membership dues to help candidates of a union's choosing. They also may spend unlimited general treasury money (which comes from dues) to communicate with their members in behalf of candidates, as long as the costs of such communication, where they exceed \$2,000, are reported to the Federal Election Commission. However, unions are barred from using union funds to carry the campaign outside the union family. In communicating with its members, a union cannot specifically call for a candidate's election or defeat, but it is free to point up the shortcomings or accomplishments of the candidate, and these costs are not reportable to the commission. Thus it is that the Communications Workers of America has carried a story in the *CWA News* singing the praises of President Carter, and the United Food and Commercial Workers International Union magazine *Action* has highlighted "Reagan's Record: Anti-Union."

American business has become far more active in political affairs in recent years, as witnessed by the



steady growth of business-sponsored political action committees, which now outnumber those of the unions. In addition, more companies are engaged in programs aimed at giving their employees a better understanding of how their government works and, in the process, encouraging them to vote.

One of the more effective of these efforts is the "Voter Alert" program developed by Dart Industries, Inc., of Los Angeles in conjunction with the University of Southern California's Center for the Study of Private Enterprise. This is essentially an employee economic information program and is being used by 325 companies and organizations this year. It focuses on the free enterprise system, how it works and what it means to the employees.

When a group of young professionals with the Portland Advertising Federation learned of a poll showing that 30 percent of Oregon voters felt that their vote was not enough to make a difference, they launched a public service campaign with the slogan "Your Vote Does Make a Difference."

Although the union hierarchy in this country is officially on record in favor of the Carter candidacy, there is concern among labor leaders that the rank-and-file members may choose to throw their support elsewhere. Twenty million union members are anxious to use the voting machine to show their discontent with inflation, growing unemployment and other perplexing economic ills which impact upon their pocketbooks directly. A word from the union chiefs no longer is sufficient to deliver the union vote in a bloc. So while the union leadership may inspire its members to get out the vote,

the result may be one they won't be happy with.

Even in the upper echelons of unions there is not the enthusiasm for a Carter candidacy that prevailed four years ago. When the AFL-CIO executive council met recently to endorse the Carter-Mondale ticket there was one vote against—William W. Winpisinger, president of the International Association of Machinists and Aerospace Workers—and three abstentions. Another sign of labor disenchantment with the Carter administration came at the recent American Federation of Government Employees Union annual convention in Honolulu when all three candidates for the union presidency came out against Carter.

**S**TILL, union strategists are convinced that adroit marshaling of forces in the right places can pay off in November. Aggressive union efforts at registering members in Ohio and Texas helped put Carter in the victory column in 1976. An example of how a well-organized union campaign can be effective was demonstrated when, starting with only 10 people manning phone banks, the United Food and Commercial Workers Union was able to contact 20,000 union members, urging them to vote in the January 21 Iowa caucuses that gave Carter a boost when his stock was running low.

Reagan's strong showing among blue-collar workers in presidential primaries has challenged organized labor to make him the issue in next month's elections. The strategy simply is to scare rank-and-file workers away from the Republican candidate. The AFL-CIO's second-ranking leader, Secre-

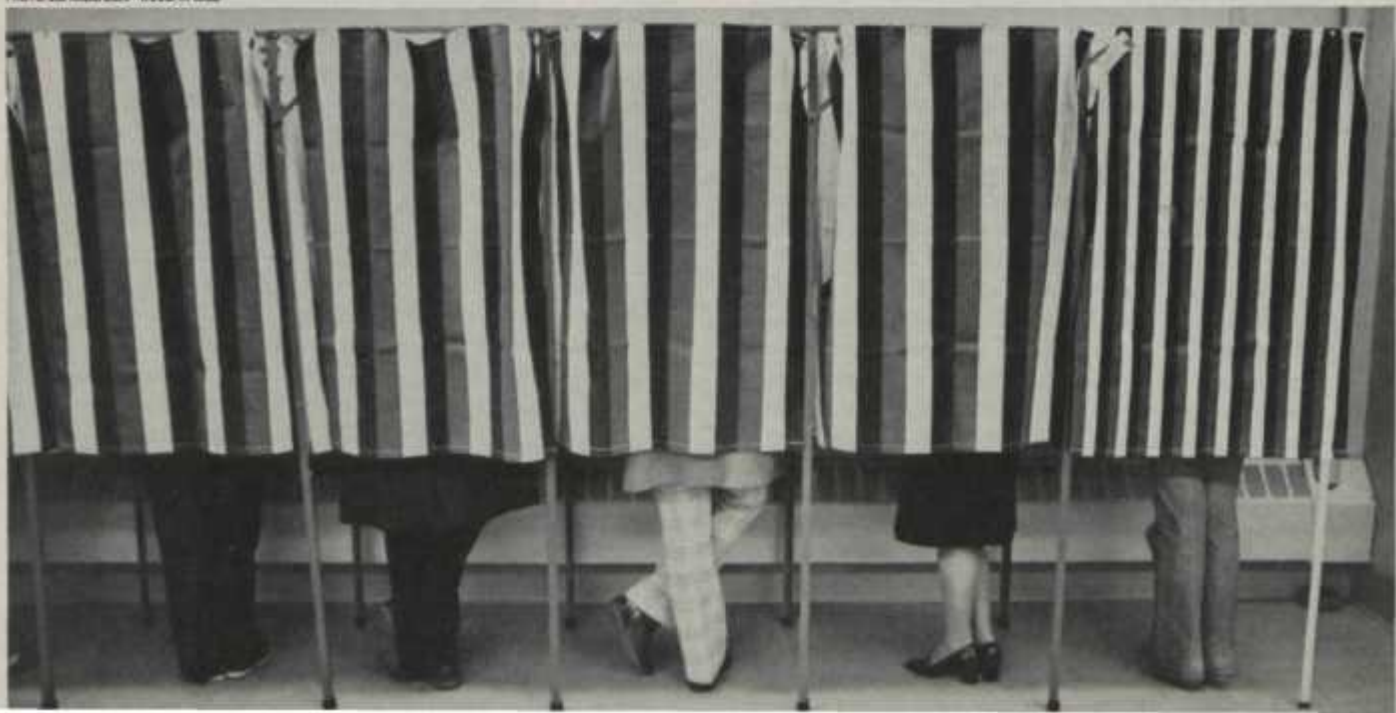
tary-Treasurer Thomas Donahue, said after the council vote endorsing Carter that the federation would use a "more sophisticated, more refined machine" to educate its members about Reagan's record on labor issues while governor of California. That theme is showing up in union newspapers and magazines around the country.

Since passage of the Federal Election Campaign Act in 1971, many of the traditional methods of raising money for political campaigns, both by business and unions, have either been declared illegal or severely curtailed. One recent challenge in the federal courts may well alter further the manner in which unions use membership dues in political contests.

A court-appointed master in a case brought against the Communications Workers of America in the U.S. District Court in Baltimore has found that the union illegally spent 81 percent of nonunion employees' compulsory union fees for politics and other union activities unrelated to collective bargaining. The case involves a suit filed by Harry Beck and 19 fellow nonunion telephone workers and joined by the National Right to Work Legal Defense Foundation. Beck, who quit the union but was forced to continue paying dues, claims that the use of his dues for political purposes was illegal.

The communications union has 484,500 members, of whom about 25,200 are nonunion workers who must pay dues running about \$185 a year. If the court accepts the master's findings, the ruling could affect all the nonunion workers as well as the original 20 plaintiffs and set a precedent for all unions that collect compulsory

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dues from nonunion members. Beck also took his case before the Democratic Platform Committee last April, testifying that "union officials used my money to support at least 10 candidates I was totally against."

Unions, of course, frequently support political candidates whom their members may or may not support. The way in which unions can throw vast resources into a political campaign—all within the law—was perhaps best spelled out by *Steeltabor*, the official newspaper of the United Steelworkers of America, which advised its readers last year that while compulsory dues money cannot go directly into political contributions "it can do a lot: mailings supporting or opposing political candidates, phone banks, precinct visits, voter registration and get-out-the-vote drives, contributions to national, state or local central COPEs" (committees on political education).

Among the unknowns in this year's elections—they represent nearly one fourth of the electorate—are the young. Voting-age young people dropped out of the process in droves in the 1960s and demonstrated little inclination to return in the 1970s. In the 1976 elections only 44 percent of those in the 18-26 age group bothered to vote. This contrasted with 64 percent of those 27 or older. Dropping the voting age from 21 to 18 did not turn the trick.

Today, however, there are signs that the same economic problems that nag at older voters are getting to young people as well. They question whether they will be able to afford a house and children. They are frustrated. They wonder about the efficacy of government, and they are suspicious of politicians. Whether they will be moved to seek redress at the polls is a question mark.

One thing is certain as far as young

eligible voters are concerned, and that is the attraction of special interest groups such as those opposed to nuclear power and for the Equal Rights Amendment. In fact, youth dominates a number of these single issue constituencies whose influence is steadily growing. If youthful exuberance were to be translated into votes, the degree to which this might affect public policy could be very significant.

On the other hand, this same youth

A major new force in American politics that appears to be taking shape—and may even have a substantial impact in this election—embraces the millions of evangelical Christians who not only have disdained voting in the past but have kept at arm's length anything that smacked of political involvement. In some extreme cases the sheer act of voting was actually viewed as an unholy experience.

All this may be changing. Some

5,000 evangelical ministers and 10,000 laymen from 41 states gathered in Dallas in August to discuss how religious zeal might be turned into political power. The so-called New Right represents the most conservative elements among the nation's evangelicals. Without endorsing any candidate—Reagan appeared and spoke but Carter turned down an invitation—it was clear the group in Dallas had one thing in common: vehement opposition to ERA, abortion and gay rights and a proclivity toward a stronger national defense.

It also was clear the ministers assembled in Dallas recognized their potential for swaying elections if they take their newfound political zeal into the pulpits. Among the ministers was the Rev. Jerry Falwell of Lynchburg, Va., the founder of the Moral Majority, whose radio and television programs reach millions of Americans and

have a capacity for raising huge sums of money. Moral Majority claims it has registered between two and three million new voters in the first year of its existence and raised \$1.5 million. And that has been accomplished with 340,000 members.

On the surface it would appear that since many of their views coincide with those shared by Reagan, he would reap a windfall of votes among these Americans. Falwell is not so sure. He says the public may see his Moral Majority members as "hard right wing-

PHOTO: MARTIN A. LEVINE—BLACK STAR



The ultimate act of good citizenship: voting.

vote may be moving in another direction as well. A survey at 12 representative colleges and universities found that student opinions have swung to the center since measured in a similar poll in 1969. According to a publication of the Foundation for Student Communication at Princeton University reporting on the poll, 28 percent of today's students consider themselves conservative, up from 15 percent a decade ago, while 10 percent consider themselves radical as against 17 percent in 1969.



ers" and that could turn off many potential Reagan voters.

Many newspaper accounts of interviews with the Dallas participants do indicate, however, that here is a group that threw its support to Carter in 1976, but now is prepared to withdraw that support. This concern has reached into the Carter campaign headquarters where the President's political lieutenants worry that defections by these born-again Christians could loosen Carter's hold on his Southern political base. A Carter campaign official acknowledges that their vote, more than the Southern black vote, was responsible for Carter's carrying the South four years ago.

Both presidential candidates and the two political parties recognize that winning is important. They also recognize that if government is to have meaning and be truly representative, the trend toward increasing voter apathy must be reversed.

The observation is as apt today as when Abraham Lincoln made it a century and a quarter ago: If we turn our backs to the fire during an election "and get scorched in the rear we'll find we have got to sit on the blister." □

## Pyramiding, Republican-Style

The Republicans are spending \$800,000 on a pyramid plan they expect will produce 500,000 volunteers to help elect Ronald Reagan. It is part of a massive get-out-the-vote campaign which Republican National Chairman Bill Brock calls the "biggest volunteer effort" ever undertaken.

Meanwhile, the Democrats are pushing a major voter registration drive, focusing on blacks, who traditionally vote Democratic but whose turnout record at the polls is lower than most voting groups'.

The Democrats also are active in seeking to register more Chicanos, whose numbers make them a growing force in politics.

Commitment '80, as the Republican pyramid plan is called, involves a series of weekly meetings around the country which the GOP expects will attract increasing numbers of volunteers.

Those who attend the initial sessions are asked to hold sessions themselves and invite prospective volunteers, thus building a pyramid of 500,000 get-out-the-voters. Television commercials plugging the Reagan-Bush ticket are featured at these pyramid meetings.

On election day the 500,000 volunteers—if that number is actually achieved—will canvass every voting precinct in the country to encourage registered voters to go to the polls.

Of the 15 million eligible black voters, only about 9 million—60 percent—are registered. This compares with 77 percent of eligible whites who are registered. Since President Carter drew an estimated 92 percent of the black vote in 1976—helping tip the election in his favor—the Democrats are anxious to sharply increase black voting next month.



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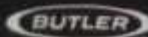
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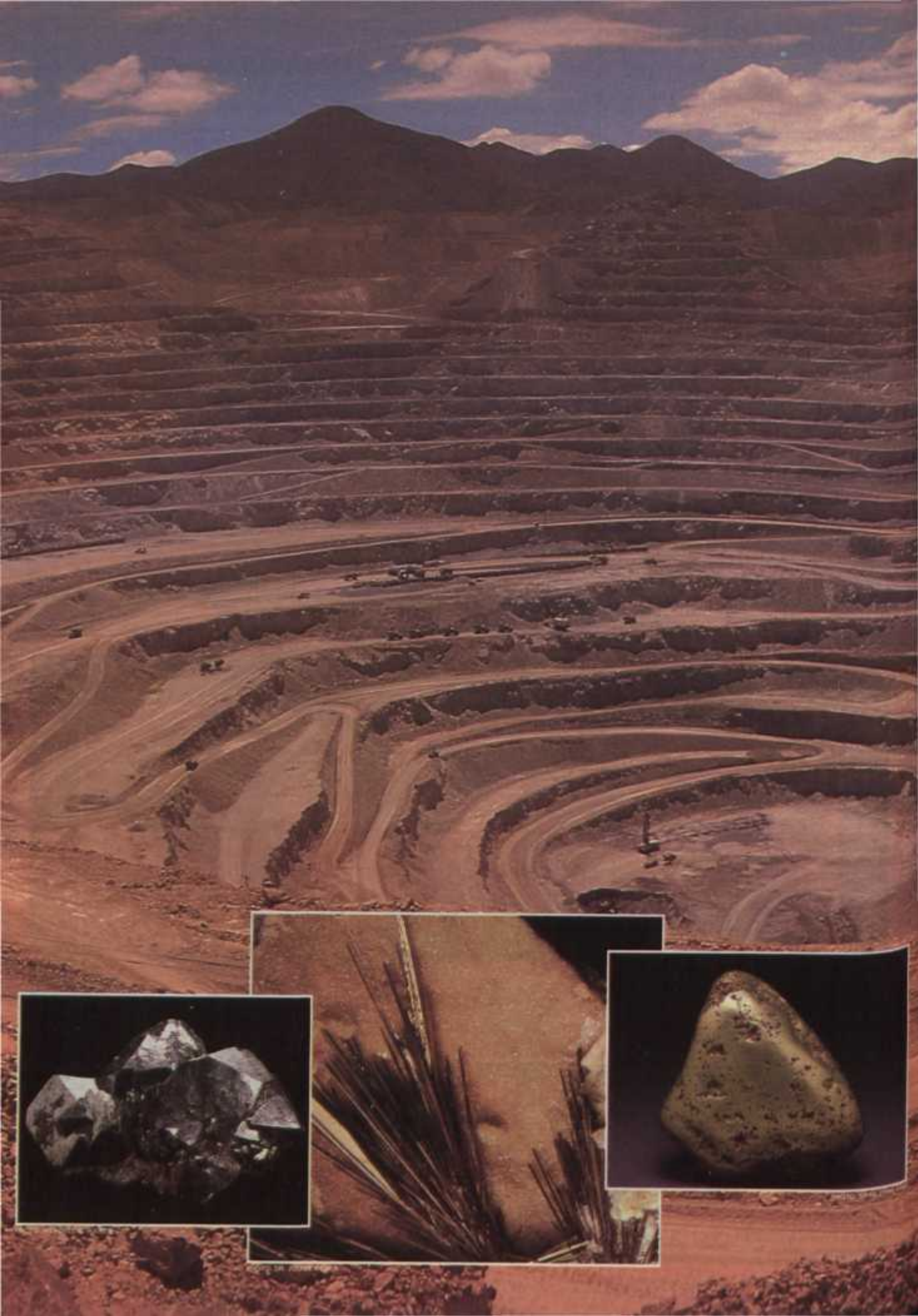
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Faced with a declining mining industry, America is increasing its reliance on foreign sources for nonfuel minerals including (left to right) cobalt, nickel, platinum, gold (to a lesser extent), manganese and titanium. Result: We may be more vulnerable to a cutoff of such strategic minerals than of oil.

**A**MERICANS' store-shelf mentality, the notion that whatever we need will somehow always be there, has apparently lulled us into a false sense of security which could someday be shattered by a crippling resource crisis that could be more disruptive than an oil embargo: a cutoff of foreign supplies of critical nonfuel minerals. The U.S. imports more than 50 percent of 13 strategic minerals needed for our economy and national defense. In the case of eight minerals, imports account for more than 80 percent of consumption.

In certain sophisticated applications, there is no known substitute for some of these. Of greatest concern are chromite and

## The Resource Gap

By Tony Velocci



PHOTO: BILL WEST

# Minerals:







PHOTO: THOMAS NERSEL-WOODFIN CAMP NINEY PHOTO: TOM TRACY-BLACK STAR

Chromite, essential in the manufacture of stainless steel, is mined in Zimbabwe for export, much of it to the U.S. Domestic mining of some minerals has been steadily declining because of the immense investment in new equipment (inset).

its derivatives (stainless steel, armor plate and artillery shells); cobalt (jet engines, turbines and cutting tools); manganese (battery electrolytes and to harden steel), and the platinum group metals (catalyst in chemical reactions, telecommunications and air pollution abatement equipment).

The U.S. in 1979 relied on imports for 90 percent of its chromite, 98 percent of its manganese ore, 98 percent of its cobalt and 89 percent of its platinum group metals.

Worse, America's primary sources include the Soviet Union and central and southern Africa. Zaire and Zambia, both very unstable nations with Soviet leanings, are America's key suppliers of cobalt. Should supplies of chromium and platinum from South Africa become unavailable, the United States would be dependent on its second largest supplier—the Soviet Union.

"When it comes to essential resources, OPEC is just the tip of the iceberg," says David J. Kroft, principal minerals economist for Dames & Moore, a San Francisco-based consulting firm.

"The country's fragile dependence on oil imports is only the first in a series of minerals crises that we can expect for the remainder of the century."

**W**ILLIAM H. DRESHER, dean of the College of Mines at the University of Arizona in Tucson and director of the state's Bureau of Geology and Mineral Technology, gives a slightly different assessment of what the U.S. faces:

"Hollywood, in recent years, has capitalized on present-day viewer appetite for suspense and horror films. Our federal government, not to be outdone, is putting the final touches on the scenario of its second horror production in less than a decade: the minerals crisis."

But a more tempered view of the problem comes from John D. Morgan, Jr., chief staff officer of the U.S. Bureau of Mines: "We're not complacent; neither are we about to fall into an abyss."

The United States' reliance on unstable governments and potential adversaries for so many of its strategic minerals has failed to arouse the public largely because the public is simply unaware, and understandably so. Most people hardly ever see the materials in their raw state and only enjoy the convenience or security they provide in their myriads of end uses.



# HOW TO PEDDLE PIANOS IN PERTH.

<b>AUSTRALIA</b>	<b>61</b>
Adelaide	8
Ballarat	53
Brisbane	7
Canberra	62
Cessnock	49
Darwin	89
Frankston	3
Geelong	52
Gold Coast	75
Hubert	02
Ipswich	7
Liverpool	2
Maitland	49
Melbourne	3
Newcastle	43
Perth	47
Perth	9
Richmond	45
Rockhampton	79
Southport	75
Sydney	2
Tamworth	67
Toowoomba	76
Townsville	77
Wagga Wagga	69
Whyalla	86
Williamstown	85
Wollongong	42
<b>NEW ZEALAND</b>	<b>64</b>
Auckland	9
Christchurch	3
Dunedin	24
Gisborne	79
Hamilton	71
Hastings	70
Invercargill	21
Napier	70
Nelson	54
New Plymouth	67
Palmerston North	63
Rotorua	73
Tauranga	75
Timaru	56
Wanganui	64
Wellington	4
Whangarei	89
<b>FUJI</b>	<b>679</b>
All Points	*
<b>PAPUA</b>	
<b>NEW GUINEA</b>	<b>675</b>
All Points	*
<b>TAHITI</b>	<b>689</b>
All Points	*
<b>JAPAN</b>	<b>81</b>
Amagasaki	6
Chiba	472
Fukuoka	92
Hiroshima	822
Kanazawa	762
Kawasaki	44
Kitakyushu	93
Kobe	78
Kumamoto	963
Kyoto	75
Nagasaki	958
Nagoya	52
Okayama	862
Osaka	6
Sakai	722
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And while an unmistakable parallel exists between our dependence on foreign oil and nonfuel minerals—the constant threat of price manipulation and supply curtailments—we may be more at risk because of our minerals dependency. Oil imports comprise about 40 percent of our national requirements, but we are nearly 100 percent dependent on outside sources for some of our most critical mineral needs.

**I**N A RECENT National Academy of Sciences study of chromium, the authors concluded: "The fact that the United States is strategically more vulnerable to a long-term chromium embargo than to an embargo of any other natural resource, including petroleum, has not been recognized." Just three months ago, after studying the nation's minerals requirements, the Joint Economic Committee of Congress reached a similar conclusion.

More than once the U.S. has paid the price of its dependence. In 1978, for example, the invasion from Angola of Zaire's cobalt-producing Shaba Province resulted in a quadrupling of producer prices from \$6.40 to \$25 a pound—\$50 on the spot market. Just prior to the invasion, the Soviet Union bought much of the world's surplus; during the worldwide shortfall that followed, the Soviets sold cobalt to the U.S. at artificially inflated prices.

On the supply side, the Soviets embargoed chromite exports to the U.S. during the Korean War; shipments resumed in 1960. More recently, the flow of certain strategic minerals has been interrupted several times because of fighting in southern Africa.

And, of course, it is accessibility, not price, which is the crucial concern. Representative James D. Santini (D-Nev.), the most vocal member of Congress on the minerals issue, says the United States and its Western allies are so vulnerable that a "chrome embargo by the Soviet Union and Zimbabwe would bring the entire industrial world to its knees in just six months." Morgan of the U.S. Bureau of Mines agrees that America faces potentially serious problems but suggests that the U.S. is in no immediate danger: "We wouldn't be on our knees, but we might get off our butts!"

Another nonfuel minerals specialist, private consultant Robert B. Keating, thinks otherwise: "South Africa's chromite and ferrochromium production could be halted abruptly or reduced severely by internal political problems,

external attacks or attempted Soviet domination. The effects on our basic industries would be felt immediately. If such losses coincided with stoppages of Zimbabwean and Soviet chromite and ferrochromium supplies, then the damage to our industrial economy would be crippling."

Repercussions would not stop there, he says. "The United States would be forced into intense competition with other industrialized nations for supplies, a scramble that would place considerable strains upon Western alliances." America's allies are even worse off than the U.S. when it comes to import reliance.

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## "When it comes to essential resources, OPEC is just the tip of the iceberg."

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Exacerbating our reliance are the continuing decline of the United States' own domestic minerals industry and the Soviet Union's gradual shift toward becoming a net minerals importer itself, putting that nation on a collision course with the U.S.

In 1950, the U.S. depended on imports to meet 50 percent or more of its needs for only four of the 13 strategic minerals. "We have gone from a positive balance of trade in minerals to a deficit of more than \$9 billion, not including the value of imported petroleum and natural gas," says Dresher of the University of Arizona.

The drastic switch is due to a combination of reasons. Rapidly escalating costs, many of which are a result of government regulations, have severely eroded current and projected cash flows, reducing the incentive to invest in new plants and equipment. As obsolete operations are closed down for improvements, or retired altogether, fewer new ones are being brought on to replace them.

Mining, like the search for new oil and gas, is a high risk industry, characterized by high fixed costs and price volatility. In the case of some key minerals, the U.S. has no choice but to import them because there are no known domestic deposits. In the case of oth-

ers, extracting them is uneconomical because of the cost of production and restrictive government regulations.

"The U.S. could be virtually self-sufficient in all but a few minerals, such as chromite," says Morgan of the Bureau of Mines. "It's a matter of economics." Senator Harrison H. Schmitt (R-N.M.), a geologist and former astronaut, essentially agrees. "Nature endowed us with unbelievably vast natural resources, most of which have not been tapped, contrary to the uninformed or misguided statements of many in leadership positions," he says.

The other adverse trend working against the domestic minerals industry is the federal government's policy of withdrawing increasing amounts of land in Alaska and the mineral-rich West from public access. In Alaska, for example, some 105 million acres have been restricted from mineral exploration and development, with 56 million acres designated as national monuments. "The overwhelming part of these lands was never adequately evaluated for mineral potential," says American Mining Congress President J. Allen Overton.

Alaska has only two commercial mining operations of any size. One is a gold dredging operation and the other is a coal mine. Although Alaska is rated excellent in the potential for commercially viable amounts of chromite, nickel, cobalt and platinum, among other key minerals, only 17 percent of the land is actually open to prospecting.

**S**AYS Senator Schmitt: "As Soviet and other forces in the world gradually restrict or control our access to world energy and mineral resources, the question that wilderness-only advocates must answer is: 'Will they then advocate reopening Alaska and other federally controlled lands for rapid exploration and development in the national interest, when that national interest so dictates?'"

Also casting a pall on the long-term outlook is the Soviet Union's apparent mounting interest in mineral-rich developing countries. The U.S.S.R. already is a dominant political influence in Angola and in Mozambique. "The ultimate political direction that Zimbabwe will take remains uncertain," says Representative Santini, who is concerned about that nation's Marxist



government and the fact that the Soviet Union is now importing minerals which it was recently exporting. Analysts, who had assumed that the U.S.S.R. was self-sufficient in minerals, now take a different view.

Soviet mines suffer from poor planning and design as well as declining ore grades, according to Daniel I. Fine, an international resource analyst and a consultant at the Mining and Minerals Resources Research Institute at the Massachusetts Institute of Technology. Mine recovery rates in some cases are as low as 40 percent.

All of this has led Santini, and a growing number of others in the public and private sectors as well, to believe that the U.S. and its allies are engaged in a "resource war." "From Moscow's viewpoint, a resource war is low-cost, low-casualty, low-visibility and usually below the threshold of effective response by the North Atlantic Treaty Organization," says Rear Adm. William C. Mott (Ret.), executive director of the Council on Economics and National Security, a Washington-based association composed of senior U.S. business and labor leaders.

Not everyone agrees. A Defense Department official, for instance, says: "A country could switch its political affiliation tomorrow and even refuse to export its minerals directly to this country, but as long as it remains in the world market its resources will find their way to the U.S."

**T**HEN THERE is our storehouse—the strategic stockpile. The stockpile is supposed to safeguard the nation from sudden supply interruptions, but there are serious problems. While more than 90 materials have been designated as basic stockpile materials, many of the levels are way below their national goal. For example:

Chromium metal—stockpile goal: 20,000 tons, stockpile level: 3,763 tons; cobalt—stockpile goal: 85.4 million pounds, stockpile level: 40.8 million pounds; chromite—stockpile goal: 3.2 million dried tons, stockpile level: 1.9 million; titanium sponge—stockpile goal: 195,000 tons, stockpile level: 32,231 tons; platinum—stockpile goal: 1.3 million troy ounces, stockpile level: 439,597 troy ounces, and nickel—stockpile goal: 200,000 tons, stockpile level: zero.

Originally established by an act of Congress in 1939 "to serve the interest of national defense only" and not for economic and budgetary purposes, the strategic stockpiles are intended to

provide the United States with enough essential nonfuel minerals to sustain it through a three-year conventional war. But goals and planning have been erratic, and the program has been underfunded consistently. Moreover, economic considerations, rather than strategic, have sometimes seemed to dictate stockpile management.

"How else can one interpret the sale, beginning in 1964, of half the cobalt in the stockpile when there was no shortage in the market?" asks Simon D. Strauss, chairman of the committee on minerals availability of the American Mining Congress. "Nothing was sold through the back door," responds Paul K. Krueger, assistant associate director of the Resources Preparedness Office, an arm of the Federal Emergency Management Agency. "The sale had the approval of Congress. The cobalt inventory was more than double the national goals at the time."

From 1946 to 1958, stockpile planning was based on a five-year emergency basis, but that was amended to only a one-year contingency for the period from 1973 to 1976. Coupled with our dependency on unstable and unfriendly countries for a sizable share of our key minerals, the stockpile levels would appear to put the U.S. at a severe disadvantage in a non-nuclear conflict with the Soviet bloc.

"We might be able to stretch our titanium supplies out to eight, maybe nine months," says Krueger. "Cobalt could be stretched to perhaps 15 months."

Krueger's office requested \$170 million for fiscal 1981 to resume building the stockpiles. President Carter lowered that to \$150 million and the House Appropriations Committee further reduced it to \$100 million. The Senate has yet to complete action on the legislation.

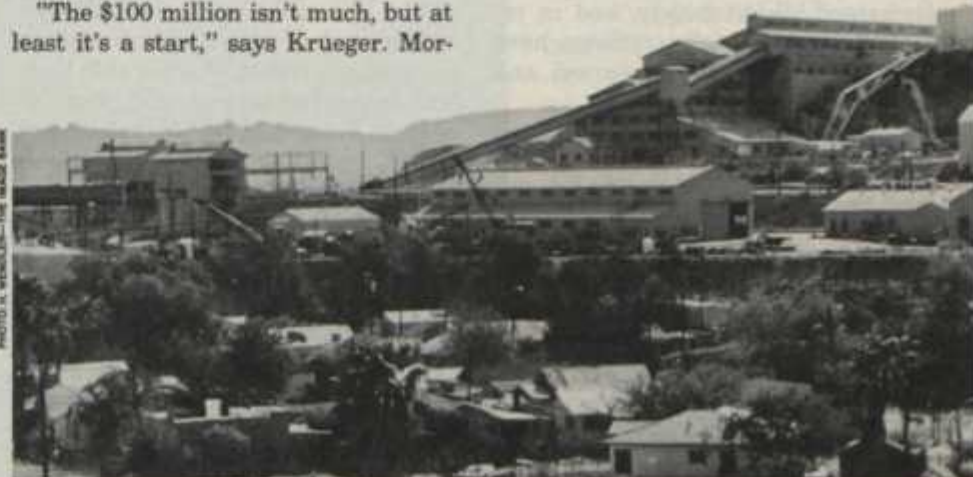
"The \$100 million isn't much, but at least it's a start," says Krueger. Mor-

gan of the Bureau of Mines estimates that it will take at least \$6 billion to correct the imbalances. (For some less critical minerals, the quantity on hand far exceeds stockpile goals.) "Whether we will have 60 years [the time it would take to meet all goals at the rate of \$100 million a year] of peace before we need them I don't know," says Morgan. "Draw your own conclusions."

**A**DDING TO THE problem is the fact that virtually all of the stockpiled minerals were purchased in the early 1950s, so that the quality of some—cobalt, for example—fails to meet standards required for certain defense-related uses. Critics claim that less than 1 percent of the strategic minerals meet current quality standards. Responds Krueger: "That's wrong; perhaps 10 percent might not meet today's quality standards."

According to Krueger, top grade strategic minerals purchased from now on will probably be saved for the most sophisticated applications, such as weapons systems, during an emergency, while the inferior grades already in inventory will go toward less important items. A Defense Department spokesman says the inferior quality would pose no serious problem because materials could be upgraded in as little as 30 days. Says Representative Santini: "That kind of thinking borders on indefensible nonsense."

If there is any one element of the current minerals crisis which is most perplexing, it is perhaps that the nation was made aware of the problem 26 years ago. (There were also warnings back then about our energy outlook.) After hearing from 360 witnesses in 58 separate investigative sessions, the Senate Minerals, Materials and Fuels



Stringent environmental laws are among the major impediments to the construction of additional mineral smelters in the U.S., such as this one in Ajo, Ariz.

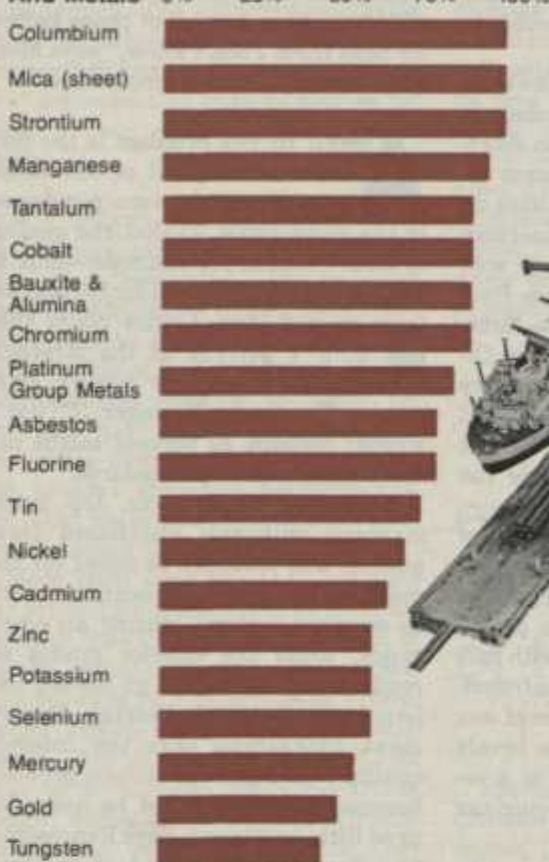


# America's Dependence

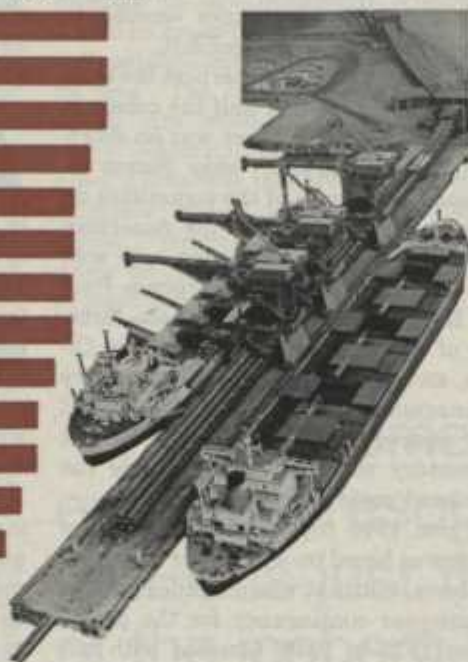
(Imports as a Percent of Consumption — 1978)

## Minerals

## And Metals



Source: U.S. Bureau of Mines



Representative Santini is even more outspoken on the report. "President Carter swept the problem underneath the bureaucratic rug until after Jan. 1, 1981—maybe forever," he says.

While it is true that the issue appears to be a sleeper, gauged by what little is written by the federal government for public dissemination, there is some activity going on, not including recent congressional hearings conducted by Santini. The National Security Council, for example, is conducting an interagency study of our minerals dependency, with special emphasis on cobalt, chromium and the platinum group metals.

The Defense Department is working with the Federal Emergency Management Agency to determine if funds, authorized under the Defense Production Act, could help meet national stockpile goals. Defense planners are also examining ongoing materials research and development programs to find substitutes. "We're looking for a hedge against massive cost escalations or substantial cutoffs," says William J. Perry, undersecretary of defense for research and engineering.

**I**F THE Joint Economic Committee's report is any indication, the nation may finally be moving toward adopting the kind of policy that is widely advocated. Among the committee's recommendations:

- Encourage domestic minerals production and investment by increasing investment tax credits and permitting faster write-offs on capital equipment.
- Make federal lands more accessible to mineral exploration and development.

Representative Santini and some of his Capitol Hill colleagues believe a nonfuel minerals policy should also include a planned response to worst-case scenarios involving either curtailments or radical price increases. In addition, Representative Santini has recommended establishing a new cabinet-level post for mineral and material affairs that would be responsible for the U.S. Geological Survey and a reorganized Bureau of Mines.

There are others who believe that the first step in alleviating our minerals dependency should be a nationwide educational program. Suggests Richard Holmquist, vice president of the American Mining Congress: "If the American people knew how many jobs depend directly on an uninterrupted flow of key minerals from abroad, they would explode." □

Economic Subcommittee reported to Congress in 1954 that the national security was in serious danger because of the U.S. reliance on foreign imports.

The committee recommended that the federal government speed up its program of stockpiling and encourage the domestic minerals industry to produce more. Laments Senator Schmitt: "These recommendations were not implemented, unfortunately, and in recent years, materials problems have become increasingly widespread and acute."

According to most people who are speaking out on the issue today, the U.S. is vulnerable now not because of what occurred between 1954 and 1980 but because of what failed to materialize—a comprehensive minerals policy, including a formal plan among Western industrialized nations on how to respond to varying degrees of a minerals cutoff.

But that's only partially correct. In 1970, Congress passed the Mining and Mineral Policy Act aimed at stimulating domestic mining and reducing

America's dependence on imports. The policy was never really implemented.

In 1977, President Carter described the condition of the nation's foreign import reliance as alarming after 25 members of Congress apprised him of the situation. In response, the President ordered a comprehensive cabinet-level policy review to analyze the problem and propose solutions.

After an investigation that cost \$3 million and involved 14 government agencies, the report, which was to have been completed by late 1978, was finished in August, 1979. "It was a dismal failure," says Harry J. Gray, chairman and chief executive officer of United Technologies Corporation, whose diversified, high-technology firm relies heavily on all of the strategic minerals. "It conveyed no sense of urgency about the seriousness of the situation. Perhaps the report's major failing was that it didn't identify any practicable solutions." Without chromium, says Gray, United Technologies could not make a durable, efficient gas turbine engine.



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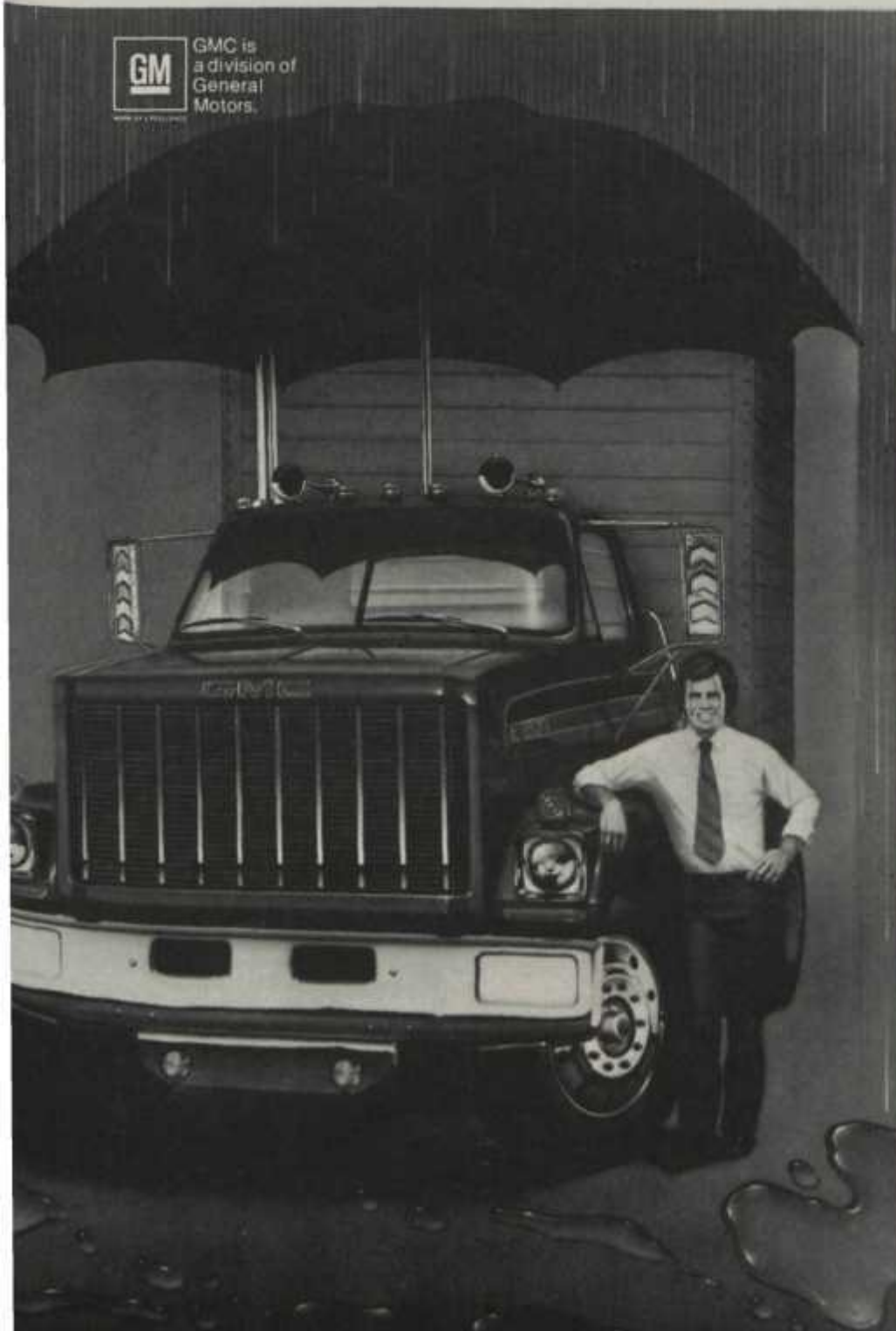
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# New Horizons in Trucking

## A 1980 Law Presents Opportunities and Problems

By Bob Gatty

**W**ITH Winston Crutchley in the driver's seat, the huge 18-wheeler lumbered out onto Highway 83 and headed west toward the faraway mountains of Colorado. Crutchley was leaving behind a wife and five children, including twin baby boys. But he felt he was building for the future, so his spirits rose as his rig rolled toward the horizon.

He would be home again in Black River Falls, Wis., before the week was out, home in that small community where his plans for his family's future are being built around the new rig he was driving and another he owns.

"It's a gamble," Crutchley says. "But I want to try to build so I can have something, some day, for my boys, if they want it. I have to start small."

The fact that he started at all stems from congressional passage of the Motor Carrier Act of 1980, which substantially reduced government regulation of the trucking industry. On the basis of the promise of opportunity, Crutchley borrowed the money to buy a \$48,000 cab and a \$22,000 trailer,

which he plans to use to haul processed as well as fresh-food products. Under the new law, independent owner-operators can obtain a permit to transport edible products so long as they can show they are "fit, willing and able" to perform the service.

It's a way, according to Darius W. Gaskins, Jr., chairman of the Interstate Commerce Commission (ICC), to increase competition in trucking by giving independent operators a chance at some of the action. And, Gaskins says, Congress saw that competition as helping to force transportation costs for food downward and contributing to the battle against inflation.

But Crutchley knows he's in for tough times, and he's not even sure it's possible to succeed.

First, it's hard to get loads. His old rig, now being driven by another driver, is hauling commodities for another trucking company. Crutchley pays 25 percent of his take to the contractor. In addition, he has to pay the driver, buy fuel, maintain the truck and trailer, and pay insurance. He pockets whatever remains.

With his new rig, which he must drive himself under the terms of the

new law, Crutchley sees the chance to do better.

"I'm going around to different companies, trying to get them to let me haul for them," Crutchley explains. But so far, he's been forced to pay a broker a 10 percent finder's fee.

Still, he refuses to cut rates in order to attract business.

"I've got to buy fuel. I've got to pay all these expenses. If I have to cut rates, I might as well forget it right now."

What's happening with Crutchley doesn't exactly fit into the mold that Congress prepared when the Motor Carrier Act was enacted this past summer.

**C**RUTCHLEY'S refusal to haul food at reduced rates means that an important potential reason for a shipper to switch from an existing carrier to him doesn't exist. And if that reason isn't there, why should the already established trucker feel compelled to reduce his rates?

The Motor Carrier Act of 1980 does go a long way, however, toward opening up the trucking industry to new competition. It will help make the

BOB GATTY is a Washington-based freelance journalist.



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transportation of goods by truck more efficient, too, as gateway restrictions and circuitous routes are eliminated. That will save energy, proponents claim, as will increased authority for round trips and service to intermediate points along the way.

Rates will be less rigidly controlled. Increases of up to 10 percent per year, or similar decreases, will be permissible without ICC intervention. In addition, a general 5 percent increase can be taken during the first two years of the law. By January, 1984, collective rate-making through industry rate bu-

Inc., Baltimore, warns that if all entry restrictions, as well as restrictions on commodities that carriers can handle and territories that they can serve, are eliminated, chaos will result.

"I don't know quite what we'll do, how far we'll broaden commodity and territorial descriptions," ICC Chairman Gaskins told NATION'S BUSINESS. "But I'm sure the ATA won't like it. They'll want us to be more narrow than we are."

Richard H. Klem, deputy director of the ICC's Office of Policy Analysis, says: "We're going to free up entry. It's

rates on less-than-truckload traffic. Some 50 smaller firms throughout the South are expected to follow Overnite's lead.

Gaskins isn't so sure that the new regulatory environment doesn't have something to do with such rate discounting.

"There's an interaction here between economic consequences which would lead the trucking industry to start to discount—you know, compete on lower rates because of excess capacity—and a basic attitude that individuals have because of the regulatory regime. Every trucking company in the country knows that the regulatory regime has changed."

**G**ASKINS POINTS OUT that when the airline industry was deregulated, the first airline super-saver fares caught on quickly and were adopted throughout the industry.

"I would anticipate there's a good chance that the Overnite 10 percent reduction, if it sticks, might very well end up throughout the whole country, not just the southern part of the United States," he says. "Once you start one of these things, it's hard to tell where it's going to end up."

"I'm just trying to protect the traffic we have been handling," explains J. Harwood Cochrane, chairman of Overnite.

The recession apparently has caught up with Wilson Freight Company, of Cincinnati, and Johnson Motor Lines, Inc., of Charlotte, N.C. Both closed down their operations because of business losses. There appeared to be no direct connection between the decisions to fold and the enactment of the Motor Carrier Act.

But even as the soft economy is bad news for some carriers, the new freedom offered by the Motor Carrier Act offers opportunity for many existing firms to expand into new markets. And that means the business that depends upon trucking for the movement of products has more carriers to choose from.

In Menlo Park, Calif., Gene West, senior vice president-traffic at Consolidated Freightways, the nation's second largest trucking company, talks about plans for growth.

His firm has filed an application with the ICC for rights to run its trucks and provide service to any point within the contiguous 48 states. The firm's basic strength is less-than-truckload shipments, the backbone of much of the transportation for the retail in-

PHOTO: TOM TRACY—BLACK STAR



The 1980 law goes a long way toward bringing new competition into trucking.

reus will end, as will the trucking industry's antitrust immunity, which has allowed it to establish its own rates over the years.

In the past, existing firms could prevent new competition from getting started in the industry by objecting that the service wasn't needed. The applicant had to prove the contrary. Now, the objecting competitor has the burden of proof.

**H**OW THAT is interpreted by the ICC is of major concern to the American Trucking Associations, Inc., in Washington, which represents most of the nation's 17,000 regulated carriers and many unregulated carriers.

Eugene I. Kane, first vice chairman of ATA and president of E. I. Kane,

going to be real easy to get in if you're a fit carrier. And that's what the law told us to do."

Klem predicts that "some people are going to make a lot of money out of this. The ones who adapt to the new environment are going to make out."

Edward V. Kiley, assistant to the president of ATA for policy, planning and development, contends that increased competition from new firms really isn't going to force rates down. But the excess capacity that has resulted from the current recession may well do that, he says.

Kiley notes that some rates are beginning to drop because of that factor, citing as an example the Overnite Transportation Company of Richmond, Va., which has filed for a 10 percent across-the-board reduction in



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# NEW CHEVY TRUCKS AN IMPORTANT STEP AHEAD



dustry. "The greatest impact [of the new law] will be to allow existing carriers to increase their operations," West predicts. "The increased competition will come from existing carriers as opposed to the newcomer."

Across the continent, another company has positioned itself to take advantage of the new law. Arthur E. Imperatore, president of APA Transport Corporation in North Bergen,

approved APA's application to expand its territory to include all of New York, Pennsylvania and New Hampshire.

Another New Jersey firm, Cooper-Jarrett, Inc., in Morristown, has asked the ICC for general commodities rights in 18 states in order to make some sense out of what Cooper-Jarrett's president, Joseph G. Wojak, complains is an illogical scheme of routes.

"For example, Lexington, Ky., and Chicago are only 352 miles apart, yet under Cooper-Jarrett's current authority, we have to operate through Sharon, Pa., on traffic between the two cities, adding 450 miles and wasting about 100 gallons of fuel each trip," Wojak says.

United Parcel Service is also taking advantage of the new law. The last restrictions on UPS's Blue Label air shipment service were removed by the measure. The company is now able to move packages on the ground in a 10-state area stretching from the Dakotas to Mississippi, providing the shipments have a prior or subsequent movement by air. ICC operating restrictions had precluded UPS from offering its two-day service in those 10 states because of a delivery service operated by another firm. "It has long been our dream to offer shippers two-day service throughout the coun-

try," says Kent Nelson, a UPS customer service manager.

For the business that relies on trucks to move its products and to service its market area, all of these developments mean a great deal.

Gaskins points out that many shippers—even some with their own truck fleets—are now negotiating with carriers, seeking improved rates and service.

"A major retailer now can feel free

to go out and negotiate with any carrier, the biggest," Gaskins says. "The retailer can say, 'Look, we've got a private-carrier alternative, but can you give us something that's cheaper? We're trying to make a hard-nosed business decision. We don't like to run trucks, but we figure that we can provide our transportation for X million dollars. Now can you do the same thing for less?'"

In the past, Gaskins says, that kind of arrangement with a common carrier wasn't possible.

Consolidated Freightways' West points out that major shippers are already engaged in negotiations with trucking firms seeking to arrange the best deals. Past practices might have resulted in larger firms using as many as 40 to 50 carriers. Now, West says, shippers are seeking to reduce that number. "They are looking for large, responsible firms with which they can do business," he says.

**T**HIS TENDENCY of large shippers to gravitate toward larger carriers, cutting down the number of carriers they deal with, is real, according to John McQuaid of the National Industrial Traffic League in Washington.

However, he points out, if the larger truckers "do not perform, the shippers can always go to the newer competition that's coming into the picture."

Another major factor under the new law for many firms is a provision permitting intercorporate hauling in instances where the parent company owns 100 percent of each subsidiary involved.

John C. White, executive vice president of the Private Truck Council of America, Inc., in Washington, believes this provision will mean more efficient use of vehicles and energy than was the case prior to enactment of the law.

"The main thrust is the ability to do things for yourself," he says. "The shipper can't stand instability. He's got to get his product to the customer."

With this new freedom in the world of commercial trucking comes a challenge, too, for businesses that depend upon trucking. With more companies out there providing service and much more flexibility involved in the rate structure, how will the retailer, for example, be able to make sure that he is getting the best deal for his transportation dollars?

"The shipper is now going to have to be a lot smarter than before to determine what he should do," White points out, noting that some instability will



The recession is helping to send some rates down.

N.J., had argued vigorously against the measure. But now, the act will allow APA to expand.

Currently the 92nd largest trucking firm in the nation, APA is one of the more profitable. With operations in eight eastern states, the firm is planning to move into the Midwest and open terminals in Chicago, St. Louis and Detroit. "We're looking very closely at going into the Gulf states," Imperatore adds. The ICC has already





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## Writing Off Rights

One of the consequences of reduced regulation of motor carrier operations is an immediate reduction in the value of operating rights, which previously could be bought and sold and often were used as collateral on loans.

Roger Burbage, a vice president of O'Boyle Tank Lines, Inc., Rockville, Md., cites the example of one firm with total assets of \$46 million. Of that total, about \$18 million consisted of operating rights, most of them debt-financed. As a result of passage of the Motor Carrier Act of 1980, the assets of the company

have decreased one third, to \$28 million.

Operating rights, granted by the Interstate Commerce Commission, permit trucks to travel certain routes and carry certain types of cargo. Until passage of the act, which substantially loosened such restrictions, their value as intangible assets on trucking firms' books was estimated at \$748 million.

Burbage urged the Senate Finance Committee to support legislation allowing trucking companies to write off the value of operating rights as regular tax deductions.

be inherent in the industry until the changes "shake out."

"I'm afraid new carriers will be in and out like a swinging door," says ATA Vice Chairman Kane, expressing concern about new people trying to underprice established firms but then failing due to inadequate revenue.

ICC Chairman Gaskins agrees that there will be uncertainty. "I don't want to minimize the fact that changes in the transportation industry caused by regulatory reform may well mean that shippers may have to do a little more work to make sure they get the

best deal," he says. It may be necessary for the shipper to devote more resources to dealing with transportation, Gaskins says—perhaps hire more people to "sort things out" or have his traffic manager work harder.

"But those," he says, "who have the traffic managers that are responsive to the challenge will get better service and better prices."

The ICC chairman adds: "If I were a traffic manager, I would be all fired up to take advantage of this. There's opportunity to get ahead of the other guy. Of course, there are some new

things to learn, which is part of the challenge. But for the adventuresome, progressive traffic manager, there's real opportunity."

And for the adventuresome, progressive trucking company, there seems to be opportunity, too—though not necessarily unlimited opportunity.

**T**HE MOTOR CARRIER ACT of 1980 is not a deregulation act, though there are some who appear to view it that way," says ATA's Kane. "There are changes in the way the industry is regulated, but Congress, very wisely I think, preserved the basic regulatory structure."

"I believe the good of the public should still be the paramount consideration, as it was in the enactment of the original truck regulation legislation in 1935. And how the public will fare under the new law will depend to a great extent on the way that law is implemented."

"If all restrictions on entry, on what a carrier can transport and where, are cast aside, along with the obligation to serve, then we are going to land back in the early 1930s, when service was chaotic and discriminatory. But if the letter of the law and the clear intent of Congress are followed, then the public will continue to get the kind of service at the kind of prices it has grown accustomed to." □

PHOTO: BARRY LOPEZ—PHOTO RESEARCHERS, INC.



"How the public will fare under the new law will depend to a great extent on the way that law is implemented."





MS 200P

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the new Mack

# MID-LINER<sup>®</sup>

Mid-Liner...the great new medium-duty truck designed to Mack quality standards and giving you the money-saving diesel difference.

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For whatever your needs, get a great new Mack truck — the Mack Mid-Liner.



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**TRUCKS**



One of The Signal Companies





## Getting Started: A Costly, Uphill Climb

**N**EW CARRIERS seeking to take advantage of the opportunities offered by the reforms made in trucking regulations had best make sure they know what they are doing before setting up shop.

Starting even a small trucking concern is an expensive—and risky—proposition, according to data prepared by the Department of Agriculture and the American Trucking Associations, Inc., for *NATION'S BUSINESS*.

Here, according to the data, is what it takes financially to enter the trucking industry as an owner-operator with one tractor-trailer. The premise is that there will be a two-driver team, operating 131,000 miles per year with average one-way hauls of 2,500 miles and loaded backhauls 75 percent of the time. This is typical of a long-haul owner-operator type of operation.

New equipment today costs at least \$50,000 for a sleeper-type tractor and \$12,000 for a van trailer, or a total of \$62,000. Then there are these annual costs:

### Fixed costs & depreciation

Depreciation costs	\$15,196
Loan interest on vehicles	9,301
Vehicle and cargo insurance	7,205
Vehicle licenses	2,227
Management & overhead	3,668
Total	\$37,597

### Annual running costs

(131,000 miles per year)

Fuel @ \$1.13+ per gallon and escalation	\$33,405
Maintenance (incl. reserve for future)	11,528
Tires and tubes (incl. recaps)	4,847
Miscellaneous operating costs	6,550
Total	\$56,330

Total costs, excluding drivers .....\$93,927

Estimated cost of two drivers including Social Security, based on Teamster rate and aggregating 28.8¢ per mile .....\$37,728

Grand total ....\$131,655, or \$1.005 per mile

Translating these data into a nuts and bolts operation, a new owner-oper-

ator entrant into trucking must be prepared to purchase (new) a combination costing \$62,000 for which the down payment would be 20-25 percent or \$12,400 to \$15,500. The balance, due in three years, would include more than \$27,000 in interest, or an average of about \$2,300 per month in principal and interest payments on the loan.

Other up-front money (insurance and licenses of \$9,500) brings the total original cash needed to start with one truck to approximately \$25,000. To

PHOTO: JAMES SUGAR—WOODFIN CAMP, INC.



Unloaded miles must be offset by loaded miles if the trucker is to make money.

this should be added at least another \$10,000 for general opening expenses, emergencies, etc., or a grand total capital requirement of \$35,000.

To earn as much as a union driver, the new entrant and his driver partner would have to operate about the 131,000 miles per year used as a base in the data—and 75 percent of those miles would have to be loaded with revenue freight.

This breaks down as: 131,000 miles per year—or 2,519 miles per week, 52 weeks of the year. Or 2,620 miles per week for 50 weeks with two weeks off for vacation or maintenance downtime. Taking the 50-week year, this further breaks down to 437 miles per day on a six-day week.

The mileage and costs also mean that freight must be carried to bring in revenues of \$131,655 per year to make

the endeavor break even without any return on investment. Assuming the data's 75 percent loaded backhaul (87.5 percent of total miles loaded) means that each year the combination must travel 114,625 miles loaded with a cargo which pays an average of at least \$1.15 per mile. Put another way, it costs just over \$1 per mile, allowing for drivers' pay, to operate and to amortize debt, taxes and insurance if annual mileage is 131,000.

This cost continues loaded or empty, and therefore each empty mile must be covered by revenues from a loaded mile. Of course, if the owner cannot drive 131,000 miles a year, his per-mile costs rise because he must amortize the fixed annual costs (\$37,597) over a smaller number of miles.

If the owner-operator, who still would have but one vehicle, can operate as efficiently as a regulated common carrier of general freight does in a relatively good year, then he should be able to make about 5 percent profit on his operations before income taxes. Taking the 131,000 miles, he should then have only about 7 percent empty mileage (the common carrier average) or a total of 121,830 loaded miles. He should also be able to have gross revenues of \$131,653 plus 5 percent, or \$138,236. This would give the new motor carrier entrant a year-end profit of \$6,583—18.8 percent—on an investment of about \$35,000.

**H**OWEVER, it also means that the new owner-operator carrier must have paying loads for 121,830 miles a year and charge at least \$1.135 for each loaded mile.

In addition to financial resources, notes Bernard Gaillard, director of the Small Business Assistance Office of the Interstate Commerce Commission, new trucking firms will need a fund of knowledge. They should:

- Do preliminary market surveys.
- Establish an effective bookkeeping system.
- Be willing to negotiate prices.
- Go for contract authority instead of common carrier authority.
- Decide whether they can operate on a slim profit margin. □



BUSINESS DIALOGUE WITH

# HAITI



SPECIAL ADVERTISING SECTION



## HAITI



## Profile of Haiti

**Capital:** Port-au-Prince

**Population:** 6,000,000 (est.)

**Density:** 500+ per square mile

**Distribution:** Urban 20 percent  
Rural 80 percent

**Area:** 10,700 square miles  
(80 percent mountainous)

**Highest Elevation:** 9,000 feet

**Languages**

**Official:** French

**Majority:** Creole

**Business:** French & English

**Principal Religions:** Roman Catholic  
Voodoo

**Currency Unit:**

1 Gourde = 100 Centimes

5 Gourdes = US\$ 1.00

**Average Temperature:** Coastal 81°F  
Interior 76°F

**Average Rainfall:** 50 inches in  
Port-au-Prince

**Political Divisions:**

Nine departments with Prefects  
appointed by the President

**National Holiday:**

January 1,

Independence Day



## Interview With the President of Haiti

During a 2.5 hour interview on July 31, 1980 with the President of the Republic of Haiti, H.E. President Jean-Claude Duvalier stressed his personal dedication to expanding the national economy.

**Mr. President, upon assuming office in 1971, your priority commitment was to further the economic development of Haiti via the private enterprise system. What are the results of this commitment?**

The results are twofold, and geared towards the same objective. First, the sizeable increase in foreign investments has led to a substantial increase in employment and to an improvement in the capability of workers, as well as the technical staff. Secondly, the steady rise in the number of new industries took place within the private sector—textiles, wear-

ing apparel, electronics, beverages, etc.—and the private sector has moved strongly in the development of joint ventures as typified by the foodstuffs industry. This kind of Haitian/foreign development plays a significant role in the economic growth of the country, and my government continues to encourage them.

**Relative to economic developments during your nearly 10 years of administration, what are your proudest accomplishments?**

Generally, I derive great satisfaction from the economic development of Haiti during these years. I should like to mention in particular, the establishment of two major infrastructures: highways and the production of energy. I also have a feeling of having done my part towards the broadening of human resources that are of such high value to industrial produc-



H.E. Jean-Claude Duvalier, President of Haiti and his wife, Mme. Michele Duvalier.



tivity. This was achieved mainly through progress in sanitation and education. Further, the continuous expansion of the industrial sector is a cause of great satisfaction to me.

#### **What are your disappointments?**

Unfortunately, our economic and social progress has been periodically hindered by catastrophic hurricanes that affected advances in agriculture and industry, and thereby the standard of living of our citizens. But, it is heartening to find that our people are aware of the sacrifices required to overcome these difficulties and to make true the dream of a strong and prosperous Haiti.

#### **Please identify the grounds for your April 1980 statement: "Haiti now can take a center-stage role in the attraction of global business and industry."**

Indeed, I did say in my speech of April 1980 that Haiti could play an important part in business and industry. By this, I meant that with the benefits of geographic position, scenery, natural resources, initiative-minded labor and the availability of a low-cost labor force, Haiti has at her disposal the means to move into the ranks of labor intensive countries such as South Korea, the Philippines and Hong Kong. Pursuing this theme, I must mention the political stability enjoyed by our country and the fiscal incentives provided by my government to industrialists and businessmen, enabling them to co-operate in the development of our economy, thus ensuring a prestigious place for Haiti in the family of nations.

#### **Mr. President, to what do you attribute your country's image problems?**

In the first place, I shall say that these problems have their roots in a lack of familiarity with Haitian realities and culture. Over the years, I have been doing my best to foster a more realistic understanding of Haiti, inviting Americans to see for themselves the progress made by my government.

#### **Finally, please describe the image of Haiti and her citizens that should exist in North America.**

The image of a Haiti dedicated to peace and labor.

We have always depended on the fair play of the equity-minded Americans. They have sustained and assisted us in our most difficult moments. They will still be ready to do it if fairminded editors and journalists will agree to offer them the real image of Haiti based upon the realities. The destiny of my country is tightly bound to the American democracy. What is needed is a consolidation of all efforts aiming at the material and spiritual well-being of our two peoples.



*His economic objectives are clearly outlined in excerpts from a Sept. 22, 1979 address:*

Recently, when addressing a group of businessmen, I said: "Private enterprise is the cornerstone of, indeed the key to a successful economy and it is on this premise that we have resolutely based our development plans." This statement indicates simply that it is to the private sector that I hope to be able to look to create successful industrial activity to help the growth of our economy. I commit myself to create the conditions for sustained and balanced growth in the private sector so that it may derive a satisfactory level of profit and be a stable source of employment, capable of dealing with our unemployment problem. I repeat today my appeal to the investment capability of the private sector. I know that efforts have been made, but we have not yet crossed the irreversible threshold, the point from which forward impetus can no longer be stopped or sidetracked, where it feeds on itself and irresistibly encompasses every part of the economy. To cross this irreversible threshold is my ambition, indeed my obsession, and I will not rest until this has been accomplished.

In this context, I consider it important to encourage the establishment of businesses engaged in the assembly industry which import raw materials and re-export the finished product. This type of industry cannot, however, form the base of soundly balanced economic development; for, by definition, such activity is temporary in nature, dependent on fiscal benefits

granted by law for a specific number of years. Nevertheless, it does constitute an important source of employment and is by no means a negligible factor of assistance to the overall economy. But nothing happens automatically. The development of our country will only be accomplished by concerted effort.

Our objective is to open up still further opportunities for investors by dealing ahead of time with matters with which they are concerned in respect to Haitian law and the basic framework to enable them to become fully involved in our country's economy. This framework will be supported by the recent reorganization of the Central Bank and by the opening, in the near future, in the United States of a representative office for the Banque National de Cr dit. Furthermore, the growing mobilization of public funds will be a springboard for the regeneration of our economy.

Because of the recent budgetary, financial and fiscal reforms we have introduced, the various agencies for multilateral and bilateral aid have been convinced by the unwavering determination of the government to implement its economic and social development program. As a result, from now to 1982 more than \$1.2 billion will be committed to programs undertaken by such organizations. This is the first time that an aid program on such a scale has been made available to the Republic of Haiti. Do I need to beg the nation that it should be inspired to seize this opportunity? I urge, therefore, everyone concerned with production to recognize and accept their responsibilities. For, if we do not use these opportunities to alter the fundamentals of our economy, we will again fall back into the distressing conditions which have made our country one of the poorest in the world.

I know, however, that institutions and capital alone are not enough to achieve the development we seek. We need to create confidence in the public sector, in its capacity to control the machinery of government and to channel assistance programs effectively. . . . I will strive, both out of personal conviction as well as from choice and political policy, to nurture confidence, the most important element for meaningful and lasting investment. I have shown by my actions that I am concerned with the situation, I have fostered conditions which have led to an expansion of credit, encouraged the repatriation of Haitian funds from overseas, stimulated a taste for entrepreneurship . . . I recognize that an investment in our country carries with it the risks attached to an imperfect infrastructural environment and to a lack of clarity in future business conditions. I repeat that everything will be done to safeguard your capital, and in particular the law will be revised whenever it is shown that the existing law tends to discourage the incentive to invest. ■



# HAITI

## Introduction

How do U.S. industries, which require labor-intensive production, compete successfully in worldwide markets?

One answer has been found by some 300 companies currently producing components or finished products in Haiti for export. The bottom line reads that U.S. technology plus low-cost Haitian labor add up to an "unbeatable combination" to produce labor-intensive items for any of today's competitive markets. The Asia/Pacific centers of economical production can no longer compete with the adjacent Republic of Haiti.

The following "Business Dialogue" contains questions from businessmen and answers from authorities in Haiti and autonomous economic messages written by responsible leaders of the Haitian economy. To paraphrase one American businessman: "Haiti offers a profitable solution to manufacturers who must compete in tough markets during tough times."

Let us review the evidence and testimonials which support this strong commentary.

## The Economy

**Haiti's most important national goal, according to President Jean-Claude Duvalier, is to create economic revolution. What are the chances for achieving this goal?**

There are definite reasons for optimism that his economic revolution will succeed. Since 1971, the economy has grown at an average rate of 4 percent, and the Gross National Product (GNP) is approximately \$1 billion. There is a budgetary deficit of about \$12 million; however, this deficit is improving due to the infusion of funds from Haitians living abroad.

**What part is foreign investment expected to play in Haiti's economic revolution?**

The assembly and light manufacturing industries have been the main thrust of Haiti's drive for foreign investment. The effect that business has on the social needs of Haiti is incredible. For every person employed in an industrial job, at least 10 people are able to live on that one person's income. The emphasis is on job creation through foreign investment. Development must be labor-intensive, not capital-intensive. The government realizes that labor-intensive industrial development is of the utmost importance to solving Haiti's human problems, and it will remain so for five to 10 years.

**What are the dimensions of Haiti's human problems?**

The problems of our people are enormous. Haiti is one of the poorest countries in the Western Hemisphere. It has a high infant mortality rate, despite an annual population growth rate of 2 percent. Our population is 6 million with a density of more than 500 per square mile. But this is misleading because the terrain is 80 percent mountainous, so that the actual population density in the coastal regions is among the highest in the world. The annual per capita income is \$125. Illiteracy is high and unemployment is a critical problem.

One bright spot has been the performance of the Haitian worker. He has proved himself to be skilled, productive, consistent and reliable in over 200 factories. Our workers are one



**Robert H. Tippenhauer**  
President  
**THE HAITIAN  
AMERICAN CHAMBER  
OF COMMERCE AND  
INDUSTRY**

### HAMCHAM—In Time For Today and the Future!

It is indeed appropriate that the Haitian American Chamber of Commerce and Industry (HAMCHAM) joins the effort to accommodate the potential investor in Haiti.

Traditionally, Haiti has been a faithful friend of the United States, even sending 1,030 troops to take part in the Battle of Savannah in 1779 during the American Revolution. Haiti today represents to the United States a solid foundation where the free enterprise system can be developed to its fullest, because Haiti is one of the most stable countries in the Caribbean region and offers more advantages to investors than other countries.

As the past has proven, Haiti represents a good and calculated risk to be taken by profit-oriented businessmen. HAMCHAM is proud to be a full partner in Haiti's development, today and tomorrow.

Welcome to the friendliest country in the world!



**Gilbert Bigio**  
Director  
**ACIERIE D'HAITI, S.A.**

### Ongoing Expansion Based on Stability

For more than three generations, the Bigio family has been in business in Haiti and all along the way we've worked for the economic development of this country. Never has our business been endangered and we have always had the most complete security.

During the last seven years, confident in the guarantees conferred by the government to all businesses, we have freely invested in a steel mill; a plastics factory; a textile mill, and an edible oil plant.

We are proud to say that we are participating actively in the economic development of this country where we find the stability that every businessman is searching for.



of the main reasons that most foreign companies who have invested in Haiti are preparing to expand.

**How large a part does assembly and light manufacturing play in the Haitian economy at present and how has it grown over the past decade?**

This sector now accounts for more than two thirds of manufacturing employment in factories, with about 50,000 workers in the Port-au-Prince area. Assembly and light manufacturing currently are the most dynamic elements in the economy and growing at a rate of 12 to 15 percent per year, accounting for 15 to 18 percent of the Gross National Product.

**Summarize the basic reasons why medium-sized (and smaller) industries should find Haiti to be an excellent production site.**

Most important are low capital requirements and the availability of a large, low cost, highly disciplined and productive work force. Haiti's close proximity to Miami also provides American firms with an opportunity to significantly reduce transportation costs to a low cost labor area, as compared to the Orient, for example. Other reasons, include: availability of trained English-speaking supervisory personnel; availability of competent Haitian joint-venture partners; adequate industrial rental space; and the use of second-hand equipment.

**Is Haiti's infrastructure adequate to compete with other Caribbean sites for assembly work?**

Haiti's infrastructure is more than adequate from the standpoint of our competitive position in the Caribbean region. Aside from Mexico, Haiti is the largest producer of assembly work in the whole Caribbean and Central America region.

Haiti's assets include a brand new port featuring capabilities to handle roll-on, roll-off cargo, excellent air freight connections with North America, a reliable electricity supply bolstered by the completion of a new 22 megawatt plant in Port-au-Prince, excellent and reliable worldwide telephone and telex communications and an expanding industrial park.

To stimulate decentralization of industry, a very ambitious program of rural electrification is underway. Plans are being pursued for industrial parks in labor-intensive secondary cities, many of which are being served now by new roads connecting the northern and southern regions.

**Some Haitian sources claim many U.S. manufacturers are currently producing in the Republic. How many are there and what are their products?**

In the neighborhood of 150 American firms are subcontracting assembly work in Haiti. Around 60 of these companies have invested directly in our country. This investment has taken two forms—wholly-owned subsidiaries or joint-ventures.

Specifically, production of toys and sporting goods went from \$3.5 million in 1970 to \$40.6 million in 1979; clothing grew from \$1.7 million in 1970 to \$54 million in 1979; electrical apparatus went from nothing in 1970 to \$13 million in 1979 while other electronic products went from nothing in 1970 to \$11 million in 1979.



**Does Haiti benefit from foreign aid?**

Yes, foreign aid from multilateral and bilateral sources is one of the positive factors slowly contributing to the growth of the Haitian economy. In FY 1978, this amounted to \$108 million and in FY 1979 it increased to \$129 million. Most of this aid has been used to improve Haiti's infrastructure.

**Which consumer products now being imported for domestic consumption could be produced by Haiti?**

A recent government study conducted in cooperation with the International Labor Office has determined that the following products imported in 1977 could have profitably been produced  
(continued on page 6H)



**Edward J. McGurk**  
President  
AGENCES FRONLIF,  
S.A.

**Investments Will  
Create Needed Jobs**

The many U.S. newspapers that publish news on Haiti without any indication as to the real facts is unbelievable! Such reports are a real detriment to the progress of this small country that is doing all possible to improve the standard of living for its people. Even under such conditions, progress has been made because of the determination of the government and the people.

My experience as an American during the 23 years I have been in business here has been most satisfying. The help of those in high official office always is in evidence and the people are friendly and always considerate of others.

This is a very poor country and certainly deserves all the help that can be granted by the United States, whom I am sad to say has not been paying enough attention to Haiti's development which requires heavy financing. What we need most are more private investments to create more jobs.



**Andy Andersen**  
President  
ALLIED INDUSTRIES,  
INC.

**Come Tap the Haitian Labor Market**

Twelve years ago when we pioneered electronic assemblies here we were told it could not be done. Sewing—yes, electronics—no.

Today we have over 2,000 employees who say yes it can be done—from simple assemblies to very sophisticated ones. This is because our work force is dextrous, willing to learn, regular in their work habits and loyal to their employer. The resources contained in the Haitian infrastructure of supporting services is vigorous and rapidly growing.

Haiti is dedicated to industrial development as we are, so we cordially welcome our American colleagues to join us in this rewarding challenge. The Haitian labor market is a large untapped natural resource for all of North America to utilize successfully.



# HAITI

## The Economy *(continued from page 5H)*

locally by small to medium-size operations:

Animal fats and oils, \$5.5 million; cotton clothing, \$4.1 million; soap detergent, \$2.9 million; underwear and hosiery, \$2.5 million; tobacco and cigars, \$2.1 million; and fresh and canned fish, \$1.6 million.

In general, industrial imports went up more than three times between 1970 and 1976, from \$40.7 million in 1970 to \$125.7 million in 1976.

### What part does agriculture play in the Haitian economy today?

Agriculture is the most important sector, representing approximately 45 percent of the Gross National Product and employing about 80 percent of the work force. Most agricultural production is non-mechanized and small scale. A wide variety



of crops are grown. The principal commodities are coffee, sisal and essential oils, which are largely exported, and rice, sorghum, corn and sugar which are mainly consumed domestically.

### What raw materials, if any, are available in Haiti?

We recognize that the availability of domestic raw materials is sometimes problematic in Haiti. In order to allow our industries to remain competitive, most raw materials can be imported duty free, that is, at world prices. In 1976, the average tariff was 10 percent. Serious efforts are being devoted to increasing the supply of domestic raw materials, particularly in agriculture (cotton, rice, fruits). In the construction industry, most raw materials are available at competitive prices and, in fact, we export cement, brick and tile.

### Is Haiti's road system adequate?

Modern highways now link Port-au-Prince with the principal cities in the provinces. Since 1973, the government has constructed and improved approximately 350 miles at a cost of \$75 million. By 1981, an additional 650 miles of feeder roads are scheduled to be completed.

### How many U.S. banks, if any, offer full commercial services in Haiti?

Three American, two Canadian and a French bank offer full commercial services in Haiti. The American banks are First National Bank of Chicago, the First National Bank of Boston and the City Bank of New York. The Canadian banks are the Royal Bank of Canada, and the Bank of Nova Scotia. The French bank is the Banque Nationale de Paris. There is a locally owned private bank, the Banque de l'Union Haitienne, which has a small participation by Manufacturers Hanover Trust of New York.

### The Haitian government's banking system was revised during 1979. What do these changes mean to the foreign investor?

The basic intention behind the 1979 revision of the banking system was to modernize the banking laws and to create an up-to-date administrative structure. Specifically, the old Banque Nationale de la Republique d'Haiti was split into two new institutions: the Central Bank (Banque de la Republique d'Haiti) and a publicly owned commercial bank (Banque Nationale de Credit). We do not anticipate that foreign investors will be affected by these changes.



**Andre S. Apaid**  
President  
**ALPHA ELECTRONICS  
& PLASTICS  
INDUSTRIES  
NATIONALES  
REUNIES**

### Mutual Assistance

Haiti helps many U. S. manufacturers become competitive in the world market, with the lowest labor cost anywhere.

Only 90 minutes by air from Miami, Haiti helps the U.S. reduce unemployment by assembling electronics components, textiles, etc., produced by U.S. workers.

The U.S. by the same token, slowly helps Haiti solve its unemployment by investing or contracting with Haitian firms. We, at ALPHA ELECTRONICS AND PLASTICS have been building complex assemblies for many large U.S. and Canadian companies since 1954.

We have grown from 10,000 to 130,000 square feet in the last 10 years.

Visit Haiti. See the smile on our peoples' faces and their pride in doing a fine and honest job for you and Haiti.

Do not let foreign imported materials and products knock you out.

Let us join hands and help each other.



**Mr. Fritz F. Mevs**  
Chairman  
**THE FRITZ MEVS  
GROUP**

### Haiti Means Investing for Success

International investors are welcome in Haiti, the land of traditional hospitality, which assures security for business and an efficient labor force for good productivity and growth.

My corporations are among Haiti's largest:

- Fabnac Fabrique Nationale de Chaussures, S.A., producing shoes and sandals.
- Fabnad Fabrique Nationale de Detergent et de Savon, producing detergent, soap, toothpaste and edible oil.
- E.P.P. Extruding Plastic Pipes, S.A., producing P.V.C. pipes.

We are ready to assist new investors. Our technical and administrative staffs are available for consultation and we have industrial buildings and facilities for early occupancy.

Haiti's U.S. dollar-based economy is open and free of exchange and remittance controls. Simply put, your money is able to get the best return. Haiti's abundant labor, quick to learn, and respected for their good character, loyalty and lack of prejudice, assures investors of success.



# Investments

## What tax exemptions and/or tax holidays does the government of Haiti grant to newly formed commercial enterprises?

Certain types of new companies established in Haiti are exempt from Haitian corporation taxes for a minimum of five years, and sometimes for longer periods, depending upon the location of the business. After this period of exemption, the qualifying firms benefit from tax reductions for several more years, as shown in the chart below. The tax exemptions apply at both the corporate and shareholder level, to the following:

1. To any new commercial undertaking importing parts or materials to be manufactured, assembled or finished in Haiti where the completed article is to be re-exported and sold overseas.
2. To any new commercial undertaking producing products for sale within Haiti which are not currently manufactured in Haiti or where local manufacture of such products accounts for less than 25 percent of local consumption.
3. To any new agricultural or livestock undertaking.

in Port-au-Prince (Years)	Tax Liabilities		Percent Rate of Full Tax Liability
	in Industrial Park (Years)	outside Port-au-Prince (Years)	
6	9	16	15
7	10	17	30
8	11	18	45
9	12	19	60
10	13	20	80
11	14	21	100

## What are the full tax rates on corporate profits?

Deductions are allowed for normal business expenses, i.e. interest charges, depreciation, etc., and taxes are then levied at the following rates:

Profit After Authorized Deductions (in dollars)	Rate of Tax (percent)
Up to—1,000	5
1,000—2,000	10
2,000—6,000	15
6,000—12,000	20
12,000—20,000	25
20,000—40,000	30
40,000—60,000	35
60,000—80,000	40
80,000—100,000	45
In excess of—100,000	50

(continued on page 8H)



## The Haitian— American Chamber of Commerce and Industry

Scotiabank Bldg.  
82 Rue de Delmas  
Port-au-Prince, Haiti

Delmas P.O. Box 13486, Haiti  
Phone: 2-2350/2-0442  
Cable Address: HAMCHAM

### Bienvenue!

The Haitian American Chamber of Commerce and Industry—HAMCHAM—was founded in 1979 when a group of Haitian and American businessmen formed a non-profit service organization to encourage trade and cultural relations between the United States and Haiti.

Within a short time period HAMCHAM earned the respect of both the private and public sectors as the authoritative and qualified voice of the private business community.

HAMCHAM welcomes this opportunity to help the Haitian Government to improve its image. Haiti has suffered long enough from inaccurate press reports, based on distortions, half-truths and an almost complete lack of familiarity with problems unique to Haitian society. Some facts about Haiti that are not commonly known, include:

- Haiti has a record of 23 years of political stability which is essential to attract private investments;
- Since 1976, five foreign banks have opened in Haiti and two national banks were created by local investors;
- In the modern history of Haiti, the government has never interfered with private foreign investment;
- While there is much poverty in Haiti, there is no violent crime, no mugging, no vandalism, no absenteeism and no racial prejudice;
- More than 3500 Americans reside in Haiti—ten times more than in 1970.

Why not let us help you investigate the very favorable climate for United States business and investments, instituted by the Government of Haiti?

Contact HAMCHAM and learn why Haiti has been the best kept secret in the Caribbean!

**HAMCHAM... A Votre Service!**



# HAITI

## Investments *(continued from page 7H)*

Tax is paid by means of an anticipatory payment of 1 percent (¾ percent for certain businesses) on sales volume with credit being given for preliminary payment when taxes are due and payable at the end of the fiscal year. Irrespective of the company's final profit picture, the anticipatory payment is not refundable.



**A Haitian investment brochure promotes as standard: "six day, 48 hour workweek at a minimum salary of US \$ 48.00 per month." In today's world is this US \$ 2.20 per day work scale real or imaginary?**

It is even better than that since most manufacturers use a piece rate. The piece rate is calculated by dividing the minimum daily wage by a productivity norm. The latter is estimated on the basis of time and motion study. The piece rate is an additional incentive to the workers whose average productivity is so high that often their daily take home pay is even higher than the basic minimum wage.

### World's Largest Sisal Plantation Continues to Invest

Port Dauphin S.A., founded in 1927, is the world's largest ongoing sisal plantation.

Established when sisal was called "green gold", and surviving the competitive synthetics period, we've continued to rebound with oil prices and with diversification efforts in baler twine, corn, cattle and poultry.

Our investments in these diversification efforts are sizable, and are based upon our great confidence in the stability fostered by the current government.

Agricultural production is essential to the further development of the second oldest republic in the Western Hemisphere; we are prepared to expand our capital investments in such production.

We also welcome the special cooperation accorded us by M. Antoine Acra, one of the more progressive industrialists in Haiti's private sector.



**Elias Cassis, Sr.**  
President  
PORT DAUPHIN, S.A.

### Is there one minimum salary scale for all factory labor in Haiti?

The minimum wage for an eight-hour day is \$2.20, but in some industries it is higher. For example, the rate for those making stuffed toys, machine embroidery and plastic garments, is \$2.20; but \$2.30 for electric parts; \$2.40 for shoes, cassettes, cartridges, fishing rods, leather goods, wigs and baseballs; \$2.60 for coats, fur stoles and in the electronic and mechanical industries.

### What obligatory fringe benefits are paid to workers by their employers in Haiti?

Obligatory fringe benefits for workers amount to between 30 percent and 50 percent of the basic wage. The most important ones are:

- **Bonus**—Each employee is entitled to an annual bonus of at least one month's pay, payable at the end of the year.

- **Paid Holidays**—Twenty days paid holiday are due each worker annually.

- **Sick Leave**—Fifteen days annually, amounting to 4.17 percent of wage.

- **Maternity Leave**—Six weeks of paid leave is allowed.

- **Medical Insurance**—Each employer contributes 3 percent of each worker's salary to health insurance. All businesses with more than 20 employees are required to provide medical facilities for these employees.

- **Workman's Compensation**—Every employer contributes to this insurance at the following rates:

Commercial enterprises—2 percent of salary.

Agricultural or Industrial—3 percent of salary.

Mining Companies—6 percent of salary.

- **Pension**—Both employer and the employee are required to contribute equal amounts to the retirement pension fund at the following rates:

Monthly Salary (dollars)	Rate (percent)
Up to 40	2
41 to 100	3
101 to 200	4
In excess of 200	6

- **Apprenticeship Fund**—Every employer must contribute to this fund at the rate of 1 percent of total salaries paid.

### Haiti Offers Dynamic Business Climate for Industries

It is no secret that today's Haiti offers opportunities for business to reduce its soaring manufacturing costs. HERCO, a new Haitian/American joint-venture, now offers a combination of three services: (a) cost-effective labor; (b) U.S. engineering; and (c) component sourcing support from our U.S. and Pacific offices.

It is also no secret that this new facility, a division of Planidec S.A., is located ten minutes from the Port-au-Prince airport in a modern building equipped with wave soldering apparatus for high volume printed circuit board assembly. Other types of assembly operations are available.

Manufacturers may call me at (312) 272-9220, our headquarters in Northbrook, Illinois, or in Haiti, Mr. Clevé Bryan at 22194.

We want to help you and the Republic of Haiti!



**Ted O'Connell**  
Vice President  
PLANIDEC, S.A.  
RESOURCE  
INTERNATIONAL, INC.



**Are any exemptions from custom duties granted by the Haitian government?**

New firms that qualify for the corporate tax exemptions also are granted 10 years of duty-free importation of all machinery and tools, as well as on non-locally-produced raw materials and packing materials required for manufacturing or assembly.

**One supplier makes seemingly extravagant claims about the productivity of his Haitian labor force. If possible, please clarify.**

In a recent survey, it was found that half of the managers surveyed estimated that Haitian labor was as productive as American in similar lines of production, and 20 percent thought that Haitian productivity was higher. This productivity is with equipment that is generally much older than that available to American workers.

**Does Haiti restrict the number of foreign workers?**

Foreign nationals with proven technical and/or managerial expertise are permitted to work in Haiti provided that the total number of foreign personnel employed in any business does not exceed 5 percent of the total personnel.



**Do industrial parks and/or free trade zones exist? What related services and facilities are available?**

A fully equipped industrial park is available in Port-au-Prince and it has more than doubled its capacity since it was built in 1974. Two or more are under consideration for the two main provincial towns of Cap-Haïtien and Les Cayes.

A "free" zone does not exist as such, but one is under construction at the new port in Port-au-Prince. Furthermore, materials and component parts can be imported duty free when they are part of a processing or assembly for export operation.

**Are adequate buildings or structures readily available for 50 to 100 production workers? What about the cost for real estate purchase, lease taxes and essential services?**

Yes there are. For prime locations the following figures apply: non-electrified, \$1.10 - \$1.45 per square foot annually; electrified, \$1.50 - \$2.00 per square foot annually.

To build in the prime industrial area, one would pay \$.40 to \$.50 per square foot of land while the finished building might cost up to \$9.00 per square foot. Taxes on property run up to 16 percent of rental value.

Monthly utility costs are as follows: telephone services, \$26, telex services, \$100 and water costs, \$60. Low voltage electricity (under 45 Kw) costs 8.5 cents per kwh plus \$1.00 per kilowatt demand per month. There is a flat rate for both peak and off-peak hours. More than 45 kw costs 9.47 cents per kwh, plus \$1.00 a month per kilowatt of demand. For this voltage, an off-peak hourly rate of 4.43 cents per kwh is charged.

**Where are the best qualified U.S.-based sources (i.e., non-political) of Haitian investment information?**

The best are in Washington D.C.—the Haiti desk officer, U.S. Department of Commerce; Haiti desk officer, General

(continued on page 10H)

**A Safe Place For Investments**



For an underdeveloped country with weak financial resources, the only source of capital for new enterprises is the external sector.

Foreign capitalists willing to invest in Haiti can benefit through many advantages granted by the government. The Code of Investments, now in preparation, will control in a rational way the flow of foreign capital to various sectors, by granting advantages proportional to the needs of the concerned sectors.

Aware of its part as a central bank, the Bank of the Republic of Haiti makes a point to create necessary guarantees to foreign capitalists as far as their investments are concerned. Despite the deterioration of the commercial balance, the stability of the national currency has been maintained, thanks to a well-advised monetary policy, at five Gourdes to one U.S. dollar. The exchange is entirely free, with no restrictions on international payments, so that foreign investors are guaranteed repatriation of their investments.

A policy of interest rates, more profitable than the world average, is part of the measures favoring an influx of foreign capital.

It is obvious that in the Western Hemisphere, Haiti is a safe place for foreign investors.

Gerard Martineau

Governor

BANQUE DE LA REPUBLIQUE D'HAÏTI

**OFFICIAL  
STATEMENTS**

**Invest in Small Industries  
in a Stable Country**



ELECTRICITE D'HAÏTI (EDH) is a state-owned power company which, in 1971, replaced the former private enterprise known as "COMPAGNIE D'ECLAIRAGE ELECTRIQUE," which supplied energy to only two major cities of the country.

EDH has the monopoly of producing, transmitting and selling electricity all over Haiti. To cope with the increasing demand of the industrial sector, EDH planned for 20 years ahead the implementation and improvement of facilities such as power plants, transmission and distribution lines. Important programs are being undertaken on a year-to-year basis and are being assisted by IDA, KFW, ACDI, CEE, BID, etc.

EDH offers guarantees of safety and stability to all incoming small industries.

Alix Cameau

General Manager

ELECTRICITE D'HAÏTI



# HAITI

## Investments *(continued from page 9H)*

Studies Division, InterAmerican Development Bank; Haiti desk officer, The World Bank; and, the Commercial Attache at the Haitian Embassy.

### **Can the assembly industry depend upon Haiti maintaining competitive energy costs?**

The answer is yes, because we have just added a 22 megawatt facility for the Port-au-Prince area and more hydroelectric power is being considered from the Peligre dam. Up to 100 megawatts may be available in two or three sites. Furthermore, at least 25-30 million tons of lignite (brown coal) is available in the Plateau Central and this may provide energy for an additional 60 megawatts of power. These figures are small by North American standards, but they are more than adequate for our own purposes in the foreseeable future.

### **Are there shortcuts to finding a qualified Haitian partner for a joint-venture industry?**

Yes, get in touch with the Haitian American Chamber of Commerce, or the Director of the Industrial Park, or the Director of ONAPI (National Office for the Promotion of Investment) or the Commercial Attache of the U.S. Embassy.

In addition to explaining local laws and regulations, ONAPI will aid by showing sites, making feasibility studies and assisting with financing with no obligation or fee, and in total confidentiality.

### **What legal protection or security is available, if any, to foreign property, capital and contractual agreements in Haiti?**

Haiti has signed and participates in the World Bank-sponsored International Center for the Settlement of Investment Disputes (ICSID). OPIC coverage is also available for the American investors. ■



John L. Parish  
President  
WORTH HAITI, S.A.

### **A Positive Business Climate**

We have very positive feelings about the business climate in Haiti since we have manufactured baseballs and softballs there for approximately 15 years, employing over 400 people. We have also had manufacturing experience in other countries in the Caribbean as well as Central America and must rate Haiti as one of the best. Haiti's most outstanding resource is its people, who are hard-working and punctual, with a minimum of labor turnover and absenteeism. They are really trainable and the quality of their workmanship is unexcelled.

During the past 15 years, we feel the government has been stable and is making a determined effort to improve the conditions of its citizens. The government has been most cooperative with our firm in every respect.

The only handicap, as we see it, is the unfair coverage the United States press has given Haiti. We have been appalled that supposedly responsible U.S. news media have reported so irresponsibly. We have and will continue to recommend Haiti as an excellent place for expansion of U.S. business.

## AS THE HAITIANS SEE IT . . .

In the preparation of this "Dialogue" section, 100 public and private executives were interviewed in Port-au-Prince. Here are some pertinent comments from the off-the-record interviews:

### **Haitian-U.S. Relations**

"Since Haitian troops fought and died for your independence from England, we have always supported the United States in the international arena."

"The points of view on how Haiti's political system should function are different from those which the Haitian people have accepted for themselves. The lack of knowledge about Haiti in North America is discouraging, and the politicians subjective and theoretical interpretations often clash with the realities in Haiti."

"How difficult to understand your official position! You aid Marxist governments which openly seek the destruction of your economic system, while you deny assistance to friendly governments which advocate private enterprise."

### **Haiti's Labor**

"It is no secret that Haiti desperately requires more employers and payrolls, especially after hurricane Allen's severe damage to the economy. Our unemployment rate exceeds 70%, which means seven of every ten Haitians are undernourished."

"Haitian labor productivity? Fifty percent equal to the U.S.; 20% superior."

"Minimum labor costs are scheduled to increase 20% on October 1st. Meanwhile, burden labor costs run from 21¢ (soft goods) to 27¢ (electronics) per hour, without absenteeism, vandalism, strikes or unions. No nation can compete with Haiti for labor intensive production."

## ACKNOWLEDGEMENTS

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## INQUIRIES

Correspondence addressed to participants in this section may be sent to the New York office of Sullivan Sarria for immediate forwarding to the correct address in Haiti. Forwarding envelopes marked "Confidential" will be respected.

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# Haiti—"Pearl of the Antilles"

The list is studded with the names of international celebrities—Anne Bancroft, Sir John Gielgud, Mick Jagger, Barry Goldwater, Walter Cronkite, Maurice Evans, Harold Pinter, Marlon Brando, Lady Antonia Frazier, Lillian Hellman, Irwin Stone, James Michener, Budd Schulberg, David Brinkley—and on and on. The common denominator is that they, together with hundreds of thousands of lesser-knowns, have discovered Haiti.

The attractions of Haiti to the famous, near-famous and sometimes infamous perhaps can be summed up in the tourism office slogan—"Vive la Difference." Unlike its more politically active neighbors, Haiti is a slow, sensuous, colorful country. The climate is delightful; cooler and drier than Miami, with the rain usually falling in a pleasant late afternoon shower. Crime is almost unknown; one can walk anywhere in safety, day or night.

Poor, but dignified and proud, Haiti's people are unique in the Caribbean. Isolated for most of the last 100 years by unceasing internal strife, the Haitians' African heritage is largely undiluted, except for a touch of France. Their arts, crafts, styles, paintings and culture stem strongly from the Dark Continent.

Political stability during the past decade has generated a slow but steady rise in tourism. Jean E. Saurel, former director general of The National Office of Tourism and Public Relations, says, "Haiti was once an insider's destination. Now we want to share what we have with the world, without compromising our individuality."

From less than 30,000 visitors in 1971, the flow of tourists rose to more than 325,000 in 1979. This was an increase of 20 percent over 1978, and 1980 is expected to be another record-breaking year for growth. Revenues from tourism reached almost \$62 million in 1979, with the average stay of each visitor rising from 4.9 to 7.9 days.

Hotels in Haiti are mostly small, distinctive, owner-operated establishments taking their greatest pride in impeccable service. Port-au-Prince's Grand Hotel Oloffson, for example, has been called "one of the world's great hotels" by London's *Sunday Telegraph*, yet it has only 25 rooms.

Many hotels are perched on lushly-vegetated hills above the sea. One of them, the Ibo Lele at 1575 feet has a 100 mile view from its 52 rooms. Still its guests are only minutes away from Ibo Beach near the capital city, one of the magnificent, uncommercialized, coral sand beaches that ring Haiti.

Some hotels offer authentic visits to the colonial era. The Roi Christophe in the northern port of Cap Hatien was built in 1724 and retains many antique furnishings, including those of Pauline Bonaparte's suite.

The total number of first class rooms in Haiti is expected to pass the 3,000 mark this year. Club Mediterranee is opening a 120 acre, 700-bed complex on the Bay of Gonave, 46 miles north of Port-au-Prince. Holiday Inn has purchased and is enlarging the Plaza Hotel, which has a "very Creole atmosphere," in the heart of the capital city. At Point Labadie, near Cap Hatien, a joint project by the French firms, PLM and Agence Havas, is erecting a 1200-bed village-type resort. Agence Havas is the largest retail travel agent and tour operator in France.

Haiti's native food is a unique version of French-Caribbean cookery with a touch of the African. Riz john-john, a tasty blend of rice and tiny black mushrooms; tassot, or sun-dried goat meat; and a delicious pumpkin soup are exclusive Haitian delicacies. Most hotel restaurants not only serve local dishes, but also attract guests with seafood and French, German and American cuisine.

Columbus discovered the island of Hispaniola in 1492, which Haiti shares with the Dominican Republic, and now, nearly 500 years later, tourists are discovering the nation that describes itself as "The Pearl of the Antilles."

## A \$61 Million "Vote of Confidence"



From 1971 thru 1979, the tourist influx to Haiti increased 319 percent—which demonstrates an enormous growth rate of 35.4 percent annually. Foreign tourists spent \$61 million in the Republic of Haiti during 1979.

We did not reach this point in the development of the Haitian tourist industry without hard work and dedication! Our national tourism policy is well balanced to attract both foreign and local businessmen in this sector. Let us remind you of the implementation of the new Club Mediterranee Hotel, which has a capacity of 700 beds, plus the construction of a tourist complex at Labadie in northern Haiti that will have a 1200-bed capacity.

The Government of Haiti has created conditions for new tourism-oriented companies to be established with exemptions from Haitian taxes and custom duties. Exemption from custom duties on all equipment required for the operation is granted for 10 years. Complete exemption from corporation taxes is granted for the first 5 years. In addition, concessions or the low-cost rental of governmental land is offered.

The time to invest in Haiti's tourism sector is now!

Theo Duval

Director General

OFFICE NATIONALE DU TOURISME ET  
DES RELATIONS PUBLIQUES

## OFFICIAL STATEMENTS

## Advantages of Haiti's Free Zone



The Free Zone of Haiti in Port-au-Prince will offer these advantages:

1. A privileged geographical position,
2. A rich, capable and low-cost labor force,
3. An area of several hectares with the possibility of expansion.

The selected site is close to the port and to the airport of Port-au-Prince. Water, electricity, physical facilities, security and work areas will be available.

The Free Zone of Haiti will include a commercial free zone, an industrial free zone and a free zone called "transit."

The direct benefits of the Free Zone to the nation will be to:

1. Attract international activity to the national territory,
2. Stimulate the development of Haiti,
3. Improve the possibilities of using the national port and,
4. Promote maximum usage of Haitian hand labor.

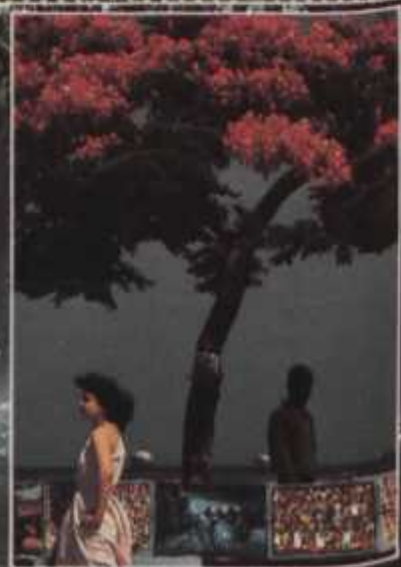
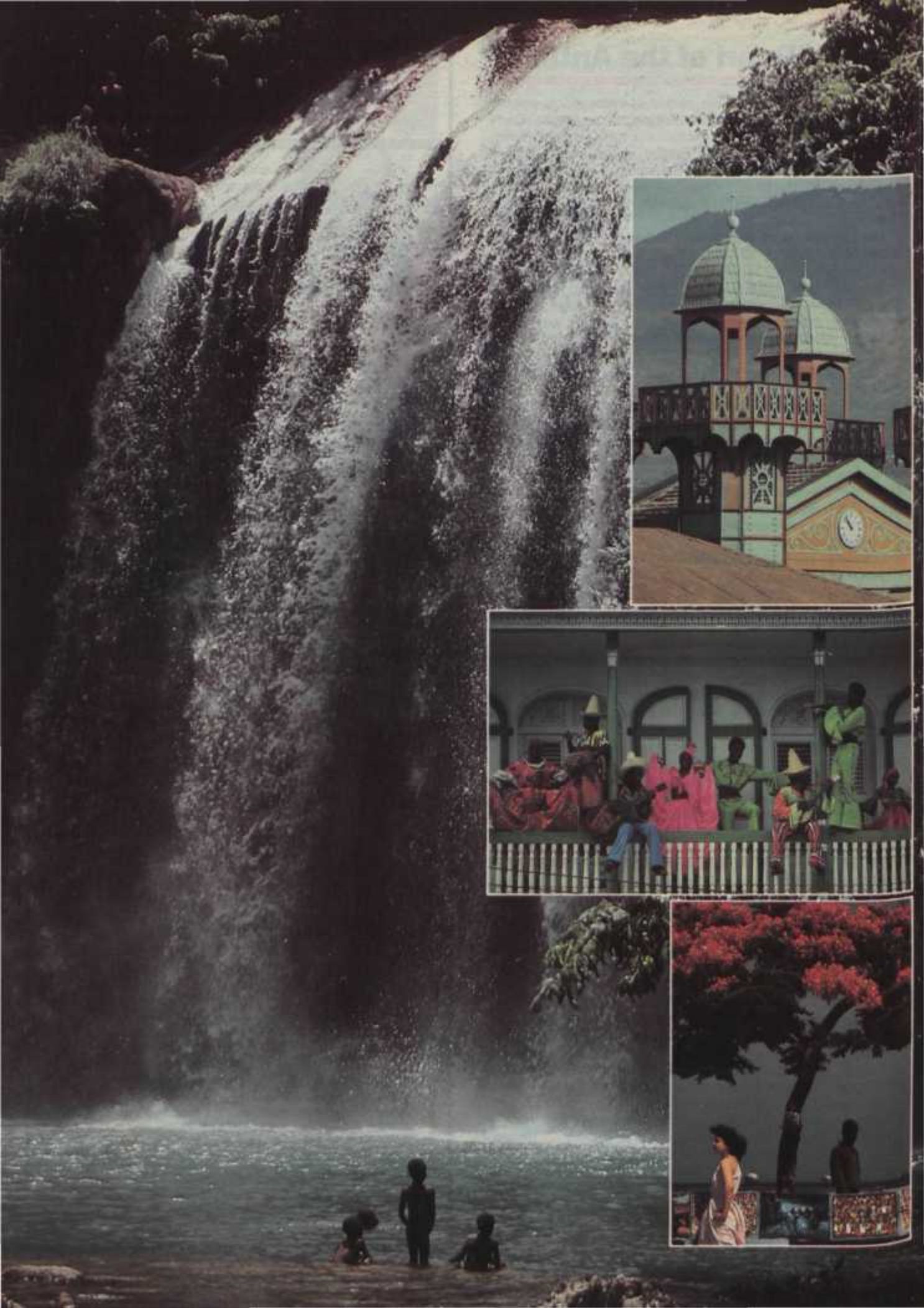
NPA offers you its services and invites you to benefit from the Free Zone of Haiti.

Jean-Emmanuel Policard

General Director

AUTORITE PORTUAIRE NATIONALE D'HAITI







## Bilingualism: How Far Should It Go?

**Y**OU CAN PAY your federal taxes in two languages, receive public school instruction in 74 and vote even though the tongue you speak has no written form. How much of this bilingualism is desirable?

Controversy swirls around the bilingual education program, which affects 3.6 million children whose native language is not English. Federal aid for bilingual education got its start in 1968 through legislation authorizing pilot programs to help children suffering from the twin disadvantages of poverty and the inability to speak English. Cost in the first year: \$7.5 million.

In 1974, the Supreme Court ruled that federally funded schools must rectify language deficiencies that make it difficult for students to understand classes held in English. The decision was based on the Civil Rights Act of

1964, which forbids discrimination based on national origin.

Congress then expanded the bilingual education program, dropped the poverty qualification and added a new requirement: "biculturalism." That means students in the program must receive instruction "with appreciation for" their particular cultural heritage. Meanwhile, the Department of Education interpreted the law to require instruction in the native tongue until the student masters English. And \$192 million in federal funding has been asked for the program in fiscal 1981.

Opponents of the program say it keeps students from the mainstream of America. They argue that the program's original aim was perverted when the requirement for biculturalism was added, and they point to a consultant's report—subsequently disput-

ed—which rated the effort a general failure at developing English-reading ability. Representative John M. Ashbrook (R-Ohio) terms the program an "outrage." He says it is "actually preventing children from learning English."

Supporters of the program see it as needed for those who otherwise would face a severe educational barrier. And they argue for more instruction on cultural heritage because, they say, there is strength in diversity.

Ironically, the issue of discrimination—on which the bilingual program was launched—came full circle when blacks who rioted in Miami complained that many of the local jobs for which they might otherwise qualify require fluency in both Spanish and English.

Is there too much emphasis on bilingualism? What do you think?

PLEASE CLIP THIS FORM FOR YOUR REPLY

Editor  
Nation's Business  
1615 H Street N.W.  
Washington, D.C. 20062

Is there too much emphasis on bilingualism?

☐ Yes ☐ No

Comments:

Name \_\_\_\_\_ Title \_\_\_\_\_

(PLEASE PRINT)

Company \_\_\_\_\_ Phone \_\_\_\_\_

Street address \_\_\_\_\_

City \_\_\_\_\_ State \_\_\_\_\_ Zip \_\_\_\_\_



# Some people think Bank of America only cares about big wheels.



**Actually, we also help small  
businesses keep rolling.**

We may be California's largest bank, but we didn't get that way by just working with California's largest companies.

On the contrary, at Bank of America we make it our business to support all kinds of small, growing businesses. Like this booming bicycle dealership in Southern California.

And we don't just help with financing. Because you and your business need a lot more





than money to succeed in a competitive marketplace.

Most of all, you need a banker you can count on. Someone who will work with you on a personal level. Someone who can plug you into a network of specialists and resources.

And with all the demands of a small, growing enterprise, you also need convenience.

Which is why Bank of America has nearly

eleven hundred branches, each one connecting you to a myriad of financial services. Important time and money savers like computerized accounting, cash management and international trade. So you can really devote yourself to your business.

Instead of your banking.

**BANK OF AMERICA**



**Think what we can do for you.**



## The Wrongs of the Rights Policy

**A**S THE U.S. trade deficit continues to grow, the need for more exports becomes increasingly obvious. Government restrictions such as the Foreign Corrupt Practices Act and curbs on trading with countries that violate human rights are among factors standing in the way of an improvement in our export performance.

NATION'S BUSINESS asked readers in the August Sound Off: "Should we export morality?" The vote was no, by a margin of 4 to 1.

"Our CEO recently observed that U.S. morality has become a major U.S. export and described it as an exercise in futility," says Peter Bush, director

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**“Our company has lost sales involving hundreds of millions of dollars because of this disincentive.”**

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of public relations for the Boeing Company, Seattle, Wash. "Unilateral pressure of this kind seldom has any effect except the loss of markets and American jobs to our foreign competitors. Our company has lost sales involving hundreds of millions of dollars because of this unilateral U.S. export disincentive."

Robert R. Briggs, president of One Way Industrial Supply, Inc., Boleta, Calif., disagrees. What better export, he asks, is there than morality? "If we fail to stand up for those ideals which make our country unique among nations, then we have little to offer the world. As a proud American, I am thankful for the rights which I enjoy in this country. I do not wish to do business with those who deny others those basic rights. If this means economic loss, so be it."

Those on the negative side feel the marketplace, and not moral standards imposed by government, should dictate regulations on trade. "The purpose of business in our capitalist society is to

make a profit through competition in the marketplace. The marketplace sets the rules. Let our businesses export products for profit, if they can, according to the local ground rules," says D. L. Wackerhagen, vice president of Security Forces, Inc., Charlotte, N.C.

Lloyd W. Frueh, president of Bartley & Lloyd Corporation, Rocky River, Ohio, agrees: "We should be free to do business in foreign countries without trying to force our moral standards and customs on people of other nations. The resentment created far outweighs any possible benefits. Let us go out and get the business competitively, thereby strengthening the dollar and regaining the position and power we previously enjoyed."

"Most economists I know, and I am among them, are free traders," says John V. Terry, corporate consultant for industrial and public affairs at the Allen Canning Company, Inc., Siloam Springs, Ark. "There is an old saying that you can cut off your nose to spite your face. This is essentially what we do when we try to punish other nations by not trading with them on pseudo-moral grounds."

On the other hand, Freeda Hodges, co-owner of Hodges Pest Control, O'Fallon, Mo., says: "As long as our nation believes in human rights, we should stand up for them whenever it is necessary. Anything worthwhile can be expected to cost us in some way. The question is, are we willing to pay the price?"

And Glenn C. Hawks, vice president for PRC Troups, Ventura, Calif., says: "The U.S. has continually slipped from the pedestal of leadership we enjoyed for several decades. If we allow our stand on human rights to go as well, then what do we stand for?"

But Bernard Huntebrinker, Jr., vice president of Toledo Lithograph & Plate Company, Toledo, Ohio, thinks we shouldn't try to export morality because "it is a concept that is constantly being changed. Whether it is religion or politics, there are too many definitions within this country, and those ideals are not always the best for others. If it is not possible to export a con-

sistent concept, we should export no concept at all."

Furthermore, Dick Jokinen, assistant administrator for the Country Manor Nursing Home in Sartell, Minn., says: "Morality cannot be mandated or regulated; it is taught and passed on by example to those to whom it has appeal. Thus it is ludicrous to base our trade potential upon various interpretations of accepted morals."

Many who oppose restricting trade for morality reasons criticize the U.S. for lack of morality at home. "We cannot afford to export morality; we have so little that it is a scarce commodity!" says Jack Wiziard, president of Elgin Diamond Products Company, Elgin, Ill. S. S. Steele, chief executive officer of S. S. Steele & Company, Inc., Mobile, Ala., says: "If you mean should we export the morality we possess, such as our pervasive drug culture, our increasingly high crime rate, our lack of respect for the laws by all segments of our society including law enforcement agencies, our me-first philosophy and so forth, then obviously the answer must be negative."

"Other countries have political philosophies different from ours and, especially in underdeveloped countries, there is no way that our political system will work for them," argues Walt

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**“As long as our nation believes in human rights, we should stand up for them whenever it is necessary.”**

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Hohnbaum, vice president of Camos & Hohnbaum, Inc. in Lenexa, Kans.

Bruno Tafani, owner of Bruno General Contracting, Forty Fort, Pa., takes the affirmative side. He says: "Human life seems to be almost valueless lately. If trade restriction is the only language people will listen to in regard to human life, then I say let's export morality." □



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Other models (3105-ER and above) have a printout for each individual transaction on the customer receipt and journal tape. It's like having your own bookkeeper. They also have an automatic date setting, programmed for leap years, and automatic tax computation with matching look-up tax tables.

Of course, no matter how complicated or basic the Casio cash register is, they all have one thing in common; they're maintenance free.

Which makes them very memorable.  
And very forgettable.



## AT CASIO, MIRACLES NEVER CEASE.

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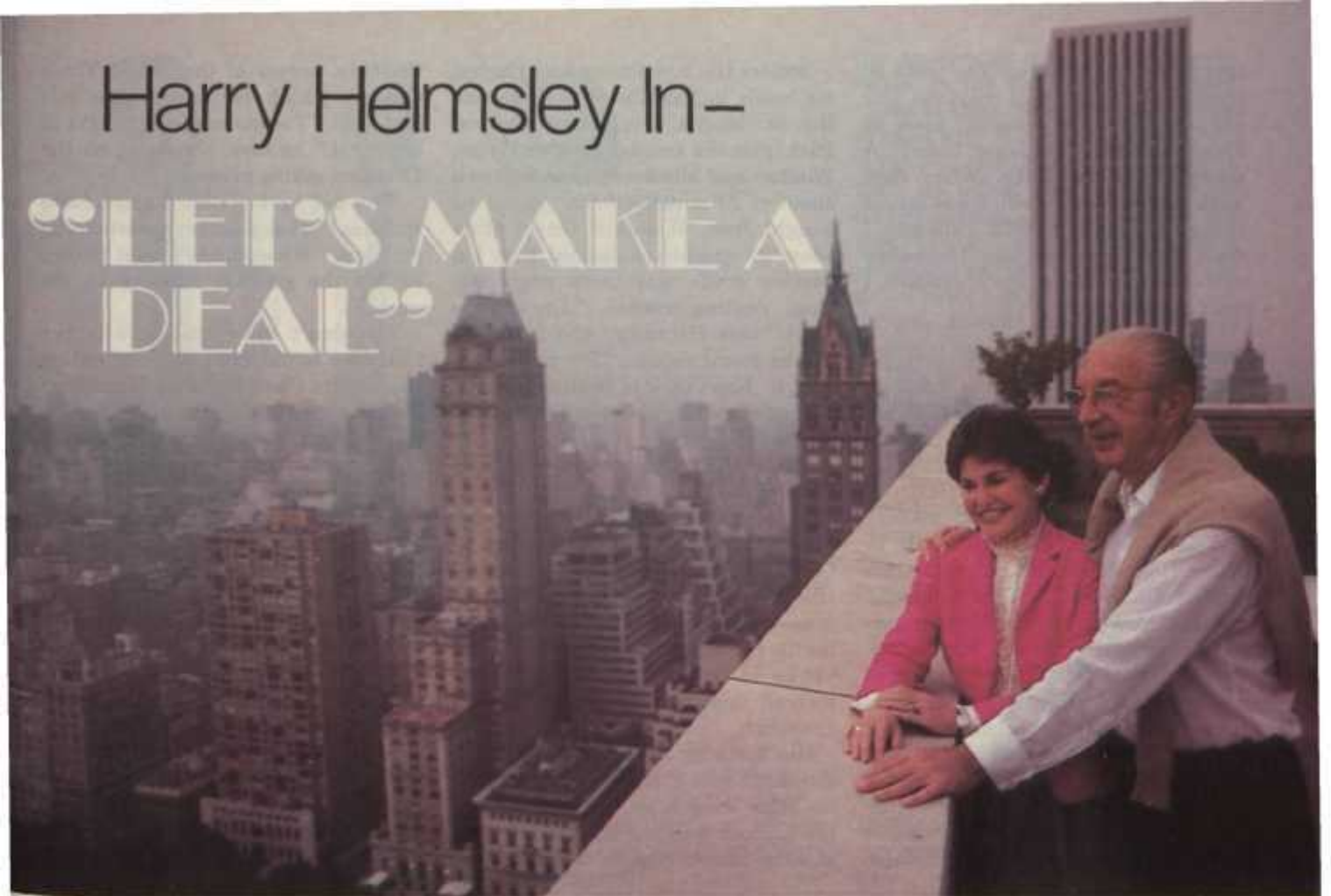


LESSONS OF LEADERSHIP





# Harry Helmsley In— “LET’S MAKE A DEAL”



Harry Helmsley, New York's largest landlord, can take inventory from his office window—he owns the Empire State Building, for example—and from the patio of the penthouse where he and wife Leona live.

**I**F THE INDIANS who traded Manhattan to Peter Minuit could buy it back, Harry B. Helmsley wouldn't sell. Dubbed the Buy-onic Man, Helmsley owns about a quarter of Manhattan's skyline, including that tourist mecca, the Empire State Building.

He'd like to buy more. In fact, he almost never sells anything he owns, and when he's not buying, he builds. He built two new hotels this year, the palatial Palace and the smaller Harley, which make him the city's largest hotelier with 4,065 rooms.

He's also the city's largest landlord, providing residential and commercial space to hundreds of thousands of people. At 71, Harry Helmsley has closed a thousand deals and made quite a few million dollars since he started running errands as a 16-year-old office boy.

His employer then was Dwight, Voorhis & Perry, the first of the dozens of real estate firms he wrote to that offered him a job. What did the firm see in young Helmsley, a native New Yorker whose grandfather had made his mark in real estate in the early 1900s? "I think they thought: How can you get an office boy cheaper than \$12 a week?" says Helmsley, who had just graduated from Evander Childs High School. "Within a short while, they raised me to \$15 a week. They saw my sterling worth."

Helmsley stayed where he started. He spent a few years collecting rents and managing tenements in the notorious Hell's Kitchen section of New York, but by 1938 his name was on the firm's door, and he

owned his first building. The 10-story structure on East 23rd Street between Fifth and Madison Avenues had a \$100,000 mortgage, which Helmsley bought for "my only \$1,000." More than 40 years later, he can recite the names of tenants, amounts of rents, lengths of leases, costs of fuel and electricity, and the janitorial payroll. Helmsley sold the building after World War II, making a \$65,000 profit, but decided that buying was better than selling. "Why sell the corner of 58th and Park?" he asks rhetorically. "They're not making any more of them. It makes no sense to buy something and sell it so you can pay Uncle Sam 40 percent of what you made on it and then try to find another deal that you can buy with 40 percent less money."

What Helmsley does sell is pieces of deals; for instance, to build the \$100 million Palace, he put up \$10 million of his own money and found investors to kick in \$23 million. With that base, he took a \$50 million mortgage from two big insurance companies, Metropolitan Life and Massachusetts Mutual. (Insurance companies such as Prudential, John Hancock, Connecticut General and Equitable hold billions of dollars worth of mortgages on New York property.) Return on the 1,050-room Palace—the official opening took place last month—should be "substantially better than 10 percent," he says.

What Helmsley would like to sell are his rent-controlled apartment complexes such as the 2,800-unit Tudor City that he bought for \$36 million in 1971. "But nobody in their right mind would buy it," he



says rather plaintively. "You gotta be crazy to own apartment buildings. [He has about 100,000 tenants.] Look at Fresh Meadows on Long Island. A showpiece of the 1960s. When New York Life wanted to sell, I was stupid enough to buy it in 1972. I thought I could make 7 or 8 percent. Impossible now. My apartments are a disaster. I can't get out."

**S**TILL, it's hard to feel sorry for Harry Helmsley. His holdings are valued in the range of \$5 billion, depending on how and what you count. His organization—Helmsley Enterprises—has more than 13,000 employees who buy, lease, rent, manage and sell through subsidiaries in 15 states (Helmsley-Spear, Inc., is the brokerage; Charles F. Noyes Company manages downtown Manhattan commercial properties; Brown, Harris, Stevens, Inc., sells and manages cooperative apartments; Owners Maintenance Corporation cleans offices; Deco Purchasing Company, Inc., buys supplies and furnishings for Helmsley Hotels; and Helmsley-Spear Hospitality Services, Inc., manages reservations and operations of non-Helmsley hotels).

Besides the new Palace and Harley, his hotels include the Park Lane and the St. Moritz overlooking Central Park, plus the smaller Carlton House, Windsor and Middletowne as well as a chain of 23 motels (10,000 rooms) he bought from Standard Oil of Ohio when its executives decided that importing crude was more profitable than renting rooms. "They were right," says Helmsley, who is having all the rooms redone. "The hotel business in New York is holding up fine, but we're getting murdered out in the Midwest."

Other Helmsley property includes some of the choicest lots in downtown New York—the Flatiron Building, the Fisk Building, the Toy Center, plus 22 Cortlandt Street, 140 Broadway and 10 Hanover Square in the Wall Street area—and the Stone Container Building in Chicago, the Russel Industrial Center in Detroit and the huge Parkmerced apartment complex in San Francisco.

His favorite is the Empire State Building, which is neatly framed by his office window on the 53rd floor of the Lincoln Building off Park Avenue at 42nd Street. Also in the frame are

the twin towers of the World Trade Center, which Helmsley does not own—yet. "I've given some thought to buying it," he says, shrugging off the \$1 billion asking price.

Why did he buy the Empire State Building? "That's a crazy question," he exclaims. "Who wouldn't want to own it? It's the greatest building in the world."

You don't have to ask whether Helmsley would even think of selling the Empire State Building. His craggy face glows when he looks at it. "It's the world's best piece of real estate. It changes mood as the weather changes. I floodlight it in red, white and blue for the Fourth of July—my wife's birthday—and green on St. Patrick's Day." But Helmsley is practical, too. The 102-story building is fully rented and returns more than 10 percent to the investors. And the observatory on the 86th floor serves as Helmsley's leading indicator. "We count the visitors," he says. "The number is up about 10 percent over last year, and that's a good barometer of the hotel business."

**T**HE DEALS that Helmsley has made are chronicled in detail in about 300 red vinyl-bound ledgers that line the wall behind his desk. Each loose-leaf book is imprinted with an address. "I know them all by heart," says Helmsley.

Helmsley-Spear is really like a collection of candy stores, Alvin Schwartz, an executive vice president, explains. Schwartz, along with another executive vice president, Irving Schneider, and a few vice presidents supervise groups of buildings, offices, apartments, or divisions. But each is solely responsible for his candy store—he leases, collects rents, maintains, renews—a whole supermarket of property services. "That way," says Helmsley, "he can't pass the buck. The building is his, he's gotta take care of it."

Real estate is the business of making deals, says Helmsley in a gross understatement. "It requires on-the-job training. There's no school for it. After two to four years working here, my people have had their schooling. And their degree is their earnings. If a good property is determined by location, location, location, then a good broker requires contacts, contacts, contacts."

How much money do Helmsley's more than 100 brokers make? "The money is really phenomenal," says Helmsley. "You read about chief executive officers making \$800,000 a year."

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Staff futurist S. Michael Rogers and loft sales executive Earle S. Altman are "almost as good" at spotting a deal as Helmsley himself, he says.

My boys are right in that league." (Helmsley himself is right out of that league. In one deal, he signed a check for \$78 million. "The bank knew I was good for it," he says.) His "boys" are backed up with a comprehensive computer division and a lean corporate staff of financial analysts, energy experts and planners.

"Money's the great motivator," he says. "My people are pretty much on their own. I don't really want them competing with each other, and if they are taking a piece of the action, I want to know about it. But I think that's a good idea; I did it myself."

**W**HILE Helmsley has become the E.F. Hutton of real estate (when Harry says, well, I'll tell you, you had better listen, says a senior vice president), he never set out to be a leader. "It probably just happened," Helmsley says. "Leadership often comes by default. Most people don't want to do anything, so anyone who's ambitious and does things ends up a leader automatically." He elaborates: "Most people do want to follow. If you can show your people you know what you're doing, and then tell them what to do, they'll do it. And that's leading. If people don't think you have the capability, you can't lead them at all, or you can, but down a blind alley. I'm willing to be innovative, as I say, take a position. Let's do it. That's my motto."

That's how Helmsley got into the hotel business. He was offered an interest

in the St. Moritz, a grand old lady of Central Park South now redone in Bloomingdale modern with touches of the Twenties. And then land became available between 58th and 59th Streets on the park. "It was a good buy," says Helmsley, "and if it's a good buy, I can't resist buying it." He bought, but then had to figure out what to do with the plot: The 58th Street side was zoned commercial and the 59th Street side was zoned residential. Given a choice between putting up apartments or an office building, Helmsley chose a hotel and then went to Mayor John Lindsay to see about rezoning. The city was enthusiastic; hotel rooms were scarce in 1968. And

the tenants in the old apartment houses on the site were not unhappy. "Some of them got as much as \$30,000 to move out," says Helmsley.

The 640-room Park Lane opened in 1971, the tallest building on the Central Park strip, and Helmsley and his wife, Leona, took up residence in a penthouse duplex with a pool where he swims twice a day.

Some friends say the best deal Helmsley ever made was his marriage in 1972 to Leona Mindy Roberts, who joined Brown, Harris, Stevens, Helmsley's cooperative management and sales subsidiary in 1970 as a senior vice president. They go dancing two or three times a week. "At two or three in the morning, I even like disco dancing," says Helmsley. In his golden years he has become more outgoing.

"I had to become more visible because of the hotels," Helmsley says. "People like to identify a hotel with a person, the owner, not an anonymous chain."

Helmsley enjoys his visibility, although he is still a little reserved and somewhat modest about the building that Leona persuaded him to name after himself. "She said it was about time," he says, admitting that it didn't take too much persuasion. The Helmsley Building at 230 Park Avenue is gold-leafed and flood-lit, "a beautiful building for a beautiful man," says



Executive Vice President Alvin Schwartz joined Helmsley in 1940 and has been a partner in many of his deals.



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Leona, who every March throws an "I'm just wild about Harry" birthday party for 200 or so intimate friends and celebrities.

Not everybody, however, is wild about Harry. Tenants at Tudor City picketed his offices and plastered the walls with graffiti over his proposal to build an apartment complex on land he owns there which is used as a park. Other tenants thwarted his plan to turn Helmsley-owned Parkchester (12,000 apartments) into condominiums. And the mayor of New York has shelved a grand scheme to revitalize Times Square by building an office-shops-theater project.

Harry doesn't get mad, says Schwartz. "He's a Quaker by choice and totally nonviolent. When he's angry, he just gets very quiet and lets the situation work itself out."

**L**ETTING THINGS be is characteristic of Helmsley. He is not competitive, one on one—"I like to work with people, not against them"—and never played sports in school. "I was terrible. That's why I like golf. You play yourself," he says, admitting to a 30 handicap.

How is Helmsley so sure what will work out and what won't? "After 40 years or so you get a knack. I have a gut reaction to deals."

The knack consists of foresight and timing. Helmsley teamed with Lawrence A. Wien, a real-estate lawyer who developed the format that allowed many investors to syndicate a property without forming a corporation, thus avoiding corporate tax. The formula was put to the test in the Empire State Building deal; more than 3,300 investors put up a minimum of \$10,000.

The knack was formed from Helmsley's voracious appetite for history. He watched his father's clothes trimmings business fall victim to the depression. He couldn't go to college—"we needed the money"—but took all the extension courses he could handle at Columbia University, the YMCA and New York University. "I can't change the course of events," he says today. "But nobody stopped me from studying the past. History shows that we do the same wrong things, over and over again."

Has the thought of retirement ever crossed his mind? "Yes, but I dismiss it immediately," Helmsley replies. "I'm having too much fun."



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# We Can Revive Productivity

By Barry Crickmer

**W**HETHER productivity improves at a blazing 3.2 percent annually or merely plods along at half that rate of increase may seem of interest only to economists—until you learn that the difference between those two figures has cost the average American family thousands of dollars.

And the *really* bad news is that productivity isn't even plodding along these days. In fact, it's going backward.

Productivity in the private sector of the economy rose at an average annual rate of 3.2 percent from 1947 through 1967. From 1967 through 1978, however, the gains averaged only 1.6 percent. And for the last six quarters, U.S. productivity has been declining.

If that pre-1967 growth rate had continued to the present, the economy would now be producing at least \$348 billion more in goods and services per year. That's \$4,444 per household. However, Americans are not enjoying the fruits of such extra wealth. Most of them are not even doing as well today as they were a year ago, although incomes measured in inflated dollars may appear to be higher. Divining the causes and cures for this unhappy state of affairs has become a focal point of the national election, as well as the subject of spirited debate on ivy-covered campuses and in grant-covered think tanks.

But what is productivity—these awesome few percentage points of something with the effrontery to subtract from the American standard of living? Productivity statistics are a measure

ILLUSTRATION: RENEE GETTNER



of how efficiently resources are used to produce the goods and services people want. When productivity is improving, the value of the economy's output is rising faster than the costs of production. In other words, society is learning to do more with less. A mere increase in the quantity, or volume, of production doesn't necessarily mean that productivity has improved.

Productivity is usually measured by output per man-hour, since labor costs are about 80 percent of total production costs. But the caliber of the work force is just one of several important determinants. The others are the tools, systems and materials used in production.

The interrelationship of these elements has been compared to the baking of Mom's apple pie. Mom's efficiency may be improved by sending her to baking school, or by getting her a bigger oven, a better recipe or better apples (so she doesn't have to spend so

much time cutting out the brown spots). By such means, Mom should be able to produce the same size pie in less time or a bigger pie in the same time. Thus, her gain in productivity may be enjoyed in the form of more leisure time or more consumption, or it may be reinvested—she may decide to use the extra time to go to law school, for example.

Unfortunately, Mom seems to be working harder to produce a smaller pie. The explanation for that must lie with Mom, or the materials, systems and tools she's using.

First, Mom, herself.

U.S. production per employee is still the highest in the world. If recent trends continue, however, by the end of the decade the U.S. will be in fifth place, behind France, West Germany, Japan and Canada. But unit labor costs have not been rising as rapidly here as in the other major industrial nations—something the AFL-CIO likes to point out. Since America's competitors are managing to increase both pay and productivity at a faster rate than the U.S., American labor may be more a victim of the productivity slump than its cause.

**T**HIS CONCLUSION is supported by a recent survey of workers' attitudes conducted by the U.S. Chamber of Commerce and the Gallup Organization, Inc. Eighty-eight percent of the workers interviewed believe it's important to do your best at your job. Eighty-four percent say they would work harder and do a better job if able to participate in making deci-





sions affecting their jobs. Eighty percent realize that improvements in productivity can reduce inflation. Sixty-seven percent say that how hard they work and how well they do their jobs make a big difference in the success of their companies. Sixty-two percent spend some time or a lot of time thinking about ways to improve the performance of their companies, and 65 percent say it's very likely or somewhat likely that any good ideas they have will be adopted. These attitudes suggest that the work ethic is alive and well.

The growth of the labor force has undoubtedly had some impact on national productivity. Over the past two decades, the American economy has had to find jobs for the products of the post-World War II baby boom, as well as for many women seeking employment outside the home for the first time.

This surge of new workers had two depressing effects on productivity. First, the new workers lacked the training of their older compatriots. And second, the rapid growth in employment outpaced the ability of the economy to accumulate new capital. So, instead of replacing human effort with other forms of energy—the process by which productivity has grown historically—the reverse occurred.

Neither of these two effects is cause for continuing concern, though, because the passage of time is resolving both problems. The population bulge has been accommodated; the inexperienced workers have gained experience. But still the productivity rate falls.

Why? One reason is the quality and

supply of Mom's apples.

The most conveniently located, highest-quality deposits of a number of important raw materials have been exhausted. Iron ore is a prominent example. But in most cases, that problem has been offset by new technology, either resulting from the development of substitutes or from better extraction techniques. There is one materials problem, however, that far surpasses all the others in its effect

on productivity: petroleum. The 1967-79 productivity decline actually occurred in two phases: 1967-73 and 1974 to the present. Experts agree that the second phase reflects the OPEC petroleum embargo of 1973-74 and the subsequent energy price increases.

Important as energy costs are, though, they cannot account for most of the U.S. productivity problem. Western Europe and Japan are more dependent on imported oil than the U.S., yet productivity there did not fall as far after 1973 as it did here. Why not? In part because the Europeans and Japanese chose to meet the oil price shock by taking deflationary measures, while the U.S. government opted for inflation.

Inflation raises interest rates, while wage rates tend to lag behind. Consequently, in an inflationary economy, labor becomes cheaper relative to capital. When capital is substituted for labor, productivity improves; when labor is substituted for capital, productivity declines.

Does Mom need a new oven?

In 1700 it took 186 men to harvest and thresh 60 acres of wheat in one 10-hour day. By 1910, the same job could be done by seven people. Today it

takes one person. This dramatic improvement in productivity resulted from the substitution of mechanical energy for human and animal energy, plus the development of better farming methods. Both the machinery and the research were products of capital investment. The capital comes from savings by individuals and businesses, sometimes directly and sometimes through the taxing and redistributing efforts of the government.

Ultimately, all productivity questions boil down to the way in which capital is formed and employed. And somehow, somewhere, something has gone wrong with that process in this country.

**T**HE NATURE of the capital formation problem is causing much disagreement among economists because the statistics are confusing. Liberal economists such as Joseph Pechman of the Brookings Institution point out that the rate of private investment remains high. Pechman told a conference sponsored by Continental Bank, Chicago: "There is no evidence in the figures that investment has been lagging in recent years, or that the tax system has been a drag on investment."

That statement was challenged by another participant in the conference, Martin S. Feldstein, president of the National Bureau of Economic Research. First, he said, it's necessary to look at the composition of investment. Most of it is used to replace the existing capital stock. Half of the remainder is put into housing and inventories. What's left, about 3 per-





cent of the gross national product (GNP), is "all that was being devoted over the last 20 years to fixed capital stock increases... [and] in the last five years, that has dropped to 2 percent, a one-third drop in what really matters—the expansion of the capital stock."

Feldstein also noted that combined taxes on capital—on corporate income, corporate property, shareholders' dividends, etc.—were 55 percent in the mid-1960s, whereas "we now have an overall effective tax rate on additional capital income of 72 percent." Investment decisions are affected more by marginal tax rates—the tax on the next dollar earned—than by average rates, which are usually much lower.

Whatever the cause, the personal savings rate in the U.S. is considerably lower than that in nations with better productivity growth records. Americans put away 5 percent of disposable income, compared to 20 percent for the Japanese, 18 percent for the French and 13 percent for the Germans.

Another sign of trouble is a change in the capital-labor ratio. From 1948 through the early 1970s, wages in the U.S. rose faster than the user cost of capital. Such conditions encourage

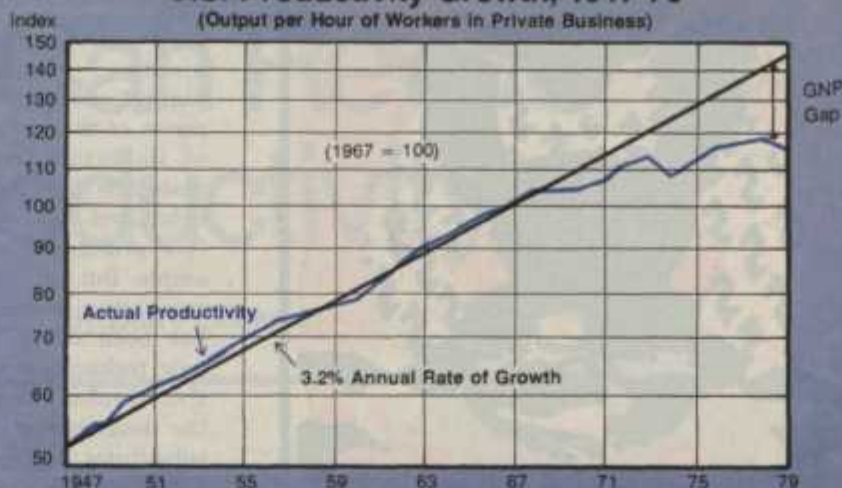
more capital investment—since capital is cheap relative to labor—and the additional investment raises productivity, permitting noninflationary wage increases. It's a self-reinforcing cycle. Since 1974, unfortunately, the price of capital has risen faster than the wage index, throwing the beneficial cycle into reverse.

Spending on research and development in the U.S. peaked at about 3 per-

cent of GNP in the mid-1960s and has been declining ever since. Worse, it has been hit by a double whammy. Not only is spending lower, proportionately, but the quality of that spending has changed. In years past, more funds were devoted to basic research. Today, much of the effort is either devoted to projects with the promise of a short-term payoff or is "defensive." Defensive research is the kind conducted to guard a company against lawsuits.

## U.S. Productivity Growth, 1947-79

(Output per Hour of Workers in Private Business)



Sources: American Productivity Center and U.S. Bureau of Labor Statistics



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THE UNDERFUNDING of basic research is beginning to show up in a diminished U.S. technological lead. One example of this trend is the steady growth in the percentage of U.S. patents granted to inventors from foreign countries, from 20.1 percent in 1966 to 38 in 1978.

Government requirements have affected productivity in another way, too. Over the past decade, billions of dollars have been spent to comply with government environmental and safety regulations. Supporters of these rules argue that they produce very real benefits—such as better health and lower cleaning costs—but that these benefits are not quantified in the GNP statistics, causing an illusory drop in productivity. Opponents concede the statistical problem, but say there are more efficient ways to achieve desired regulatory objectives than those the government uses.

To whatever extent the government's methods cause a misallocation of capital, they are indeed contributing to the productivity problem, however noble the underlying intentions.

Clearly, there is no single cause of America's productivity problems. The major influences appear to be the ef-



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## Are We Losing Our Edge?

Since the end of World War II, American business management has reigned supreme on the world stage. American know-how got credit for winning both the war and the peace, and aspiring managers from all parts of the globe flocked to U.S. schools of business administration to receive the gospel.

Lately, though, the ranks of the faithful have thinned. Worse, the holy writ itself has been questioned not only by heretics from overseas, but even by two of its high priests in this country, Robert H. Hayes and William J. Abernathy, professors at the Harvard Business School.

Could it be that the difficulties of the American economy, at least in part, belong at the door of American management? In a recent *Harvard Business Review* article, Hayes and Abernathy charge that many American managers "by their preference for servicing existing markets rather than creating new ones and by their devotion to short-term returns and 'management by the numbers'... have effectively forsworn long-term technological supe-

riority as a competitive weapon... [and] abdicated their strategic responsibilities."

This situation developed, they say, because:

- The performance of an American manager is assessed on the basis of the short-term return on investment from his profit center.
- The risks of long-term, high-technology projects plus the analytic formulas of portfolio theory "push managers even further toward an extreme of caution...."
- The tendency for senior American managers to switch from one company to another and a current "preoccupation with a false and shallow concept of the professional manager" has left many companies with leaders unfamiliar with the suppliers, technology, customers and products of their industry.
- The growing numbers of corporate presidents with financial or legal backgrounds have a natural bias in favor of financial or legal activities—such as mergers and acquisitions—rather than internal growth through technological development.

fects of inflation on capital formation and allocation, the rise in energy costs, temporary changes in the composition of the labor force and the growth of government regulation.

One striking picture does emerge from the welter of statistics and studies. It is a picture of a society that has become more cautious, more security-conscious. The risks of progress are magnified, and its benefits are minimized. Numerous penalties are created to threaten the business that transgresses, while the tax collector threatens the business that does well.

The most obvious solution is to change incentives, to increase the reward for saving and investment. That means changing the tax laws to give business more rapid and more realistic deductions for the costs of replacing obsolete equipment. It means reducing the marginal tax rates on both business and individual income. And it means reducing or eliminating the key disincentives to saving for the future, such as inflation and the limits on savings account interest rates.

The U.S. Chamber's Economic Forecast Center projected the effects of a

\$30 billion tax cut, effective in January, 1981. This theoretical package of tax relief consisted of \$15 billion in individual tax reductions, plus the 10-5-3 depreciation reform for business and a two-point drop in the corporate income tax rate. The model showed that productivity growth would be 1.5 percent in 1981 and 3 percent in 1982 with this tax cut, compared to 1.1 percent and 2.4 percent, respectively, without it.

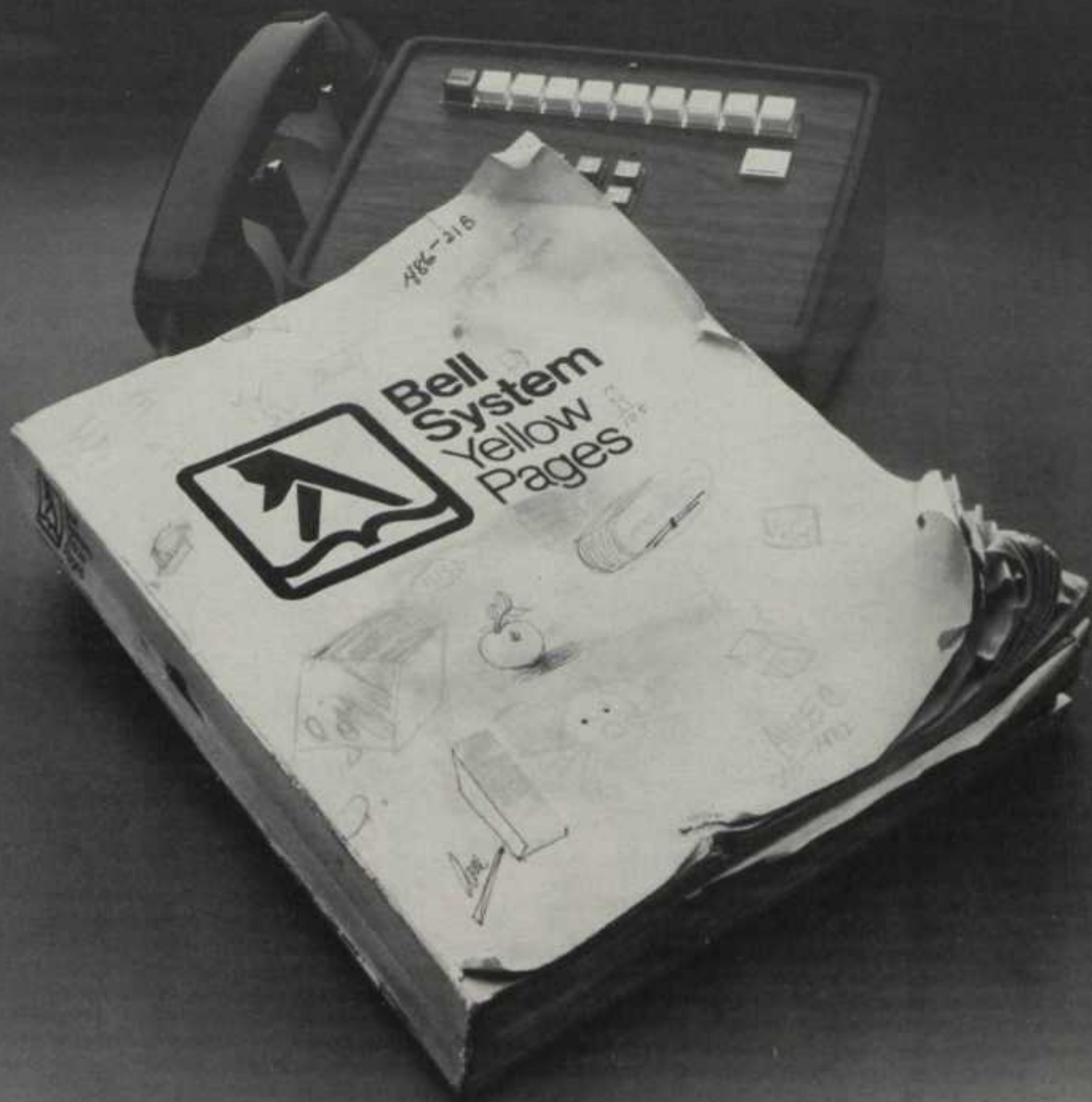
Supply-side economists believe that such tax changes can boost economic activity rapidly enough to offset their revenue costs to the Treasury, which would avoid adding to inflationary pressures. Other economists disagree, although most favor some kind of tax relief, if only to reduce the inequitable effects of inflation on tax rates.

Even without ironclad guarantees that tax reform will work, the chance is worth taking. Something must be done soon, or Americans will face the bleak prospect of increasingly bitter squabbles over the distribution of a shrinking pie. □



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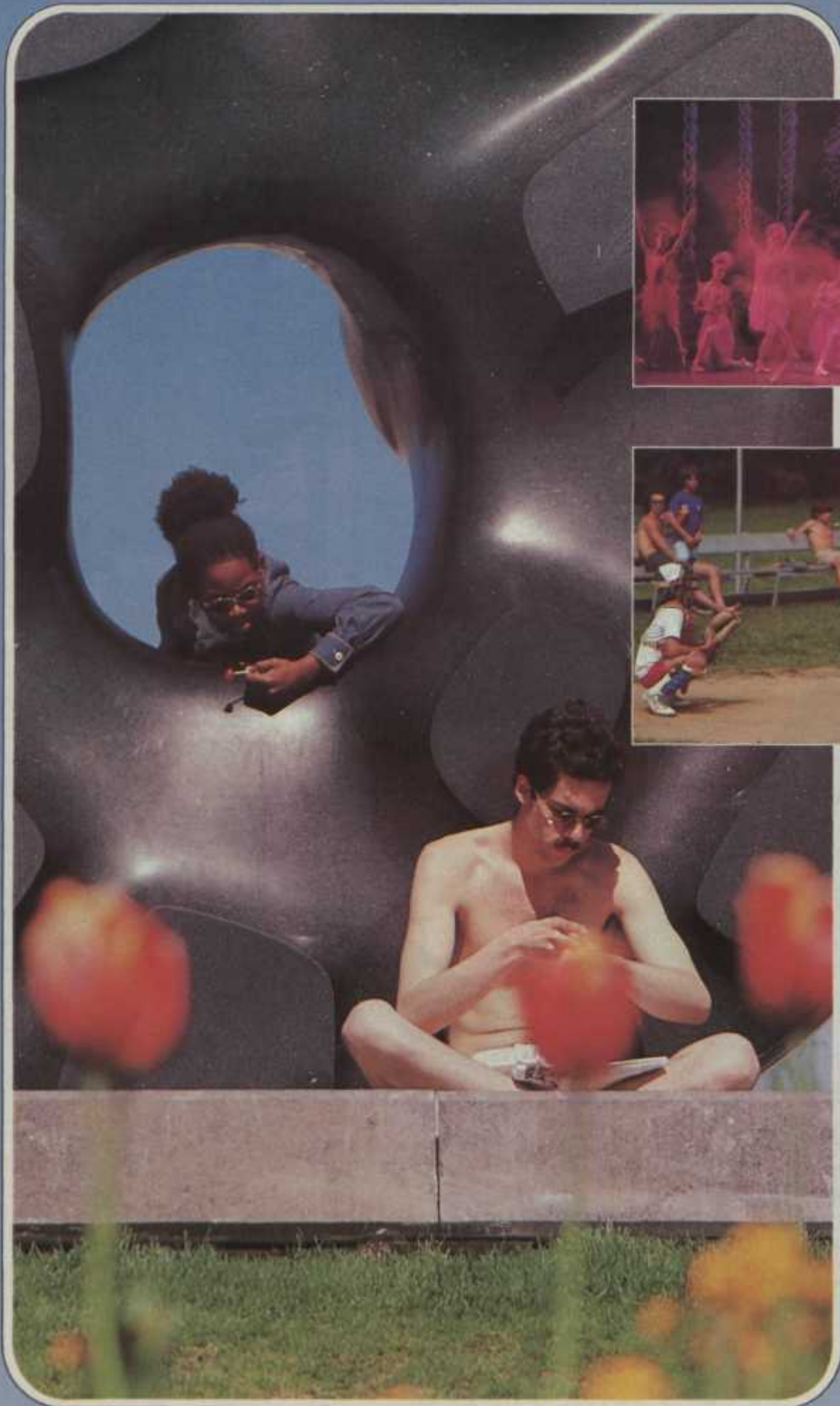
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Left: Community funds help build outdoor artworks like "Black Sun," in Seattle, Wash. Top right: Firms increase funds for performing groups such as the Boston Ballet. Lower right: Little leagues continue to receive corporate support.



# The Growing Impact Of Business Giving

By Mary Tuthill

**I**F ARISTOTLE were director of a large modern company's corporate giving program, he would probably say exactly what he said 2,300 years ago: "To give away money is an easy matter and in any man's power. But to decide to whom to give it, and how much and when and for what purpose and how, is neither in every man's power—nor an easy matter."

Such decisions, however, are being made with increasing frequency by corporate executives as more companies develop philanthropy programs.

A report from The Conference Board, a nonprofit business research organization, shows that in the past three years corporate giving rose an average of 16 percent annually, faster than giving by any other sector of society. Corporate contributions in 1979 totaled \$2.3 billion, the organization estimates. In 1936, the first year that such information was recorded, American business philanthropy totaled \$30 million.

That was the year that a tax law permitting corporations to deduct charitable contributions went into effect. Deductions are limited to 5 percent of taxable income annually, but contributions in excess of the 5 percent ceiling can be carried over for five years.

Prior to 1936, corporations could deduct the cost of philanthropy to employees—providing recreation areas, free clinics and many other benefits—as "ordinary and necessary business expenses in carrying on a trade or business." But gifts to the community could not be deducted.

A restrictive Treasury ruling, and a Supreme Court decision disallowing a corporation's contribution to a charity

organization on the ground that there was no clear-cut evidence of benefit to the company from the contribution, created political pressure that resulted in passage of the tax deduction legislation.

Although tax incentives create a favorable climate for business contributions, company officials cite numerous other motivations for giving, such as corporate citizenship, protecting the business environment, contributing to employee benefits, advancing the company image and meeting personal commitments of company founders.

Nevertheless, says A. W. Clausen, president and chief executive of Bank-America Corporation, "Business is a relatively untapped source of philanthropic income. Consider this: Of the total number of United States corporations [now about 2.1 million] only about 25 percent make cash contributions. And only about 6 percent contribute more than \$500 a year. In fact, nearly half of all corporate philanthropic gifts come from fewer than 1,000 companies. Stated another way, less than 0.07 percent of all corporations give one half of all corporate philanthropic contributions."

In 1978, corporations made 5 percent of the nation's total charitable contributions of \$39.6 billion. Nearly 90 percent of the total came from individuals, and noncorporate foundations made up the balance.

"As someone once noted," says Clausen, "in giving till it hurts, some people are extremely sensitive to pain."

Still, the impact of corporate giving is not to be minimized, and executives are becoming more concerned about ensuring that the giving is wise.

Last September, the National Cham-

ber Foundation, an affiliate of the Chamber of Commerce of the United States, held its second conference dealing with the problems of corporate giving. The focus was on the effect of a changing economy. The foundation's first conference—in 1977—was primarily concerned with the various directions that corporate philanthropy can take.

This kind of thoughtful planning can make corporate philanthropy more potent. Instead of spreading contributions far and wide—perhaps to whomever comes through the door, hat in hand—some forward-looking corporations are using narrowly defined programs to try to improve the world they function in.

**T**HE Cummins Engine Company in Columbus, Ind., for example, finances architectural fees for public buildings. "The program was first offered to schools in the mid-1950s and later expanded to include public buildings," says Robert W. Storey, Cummins' manager of community relations.

Since 1970, five buildings in Columbus have received American Institute of Architects awards, the nation's highest professional recognition of architectural excellence, and in 1975 Cummins received an award from the AIA in recognition of the fee-financing program.

"We like to think that the program has had a kind of rub-off effect and that as a result of our program, all new architecture in the city has benefited," says Storey.

Cummins also gives construction grants for schools and other public buildings. So far, the company has



made architectural-fee or construction grants for 19 schools and 12 other public buildings—including a city hall now under construction.

In all, 11 percent of corporate philanthropy is allocated for civic projects, which not only includes giving such as Cummins Engine's, but also contributions for improvement of housing, for parks, for little leagues and for other community activities.

Education and health continue to receive the largest share of corporate giving, much of it via donations to community funds. About 70 percent is almost equally divided between educational institutions and programs and those delivering health care.

Cultural programs of all sorts, from elaborate television productions to support for local theaters and outdoor art shows, receive about 10 percent of the philanthropic pie, with the remainder going to other causes, including foreign aid programs such as the United Nations Children's Fund.

**H**EALTH AND EDUCATION have long been favorite beneficiaries of insurance industry giving. Prudential Insurance Company of America, for instance, supports hundreds of medical, educational, health and urban programs in the U.S. and Canada. It contributed \$300,000 toward a computerized information system for treatment of heart disease.

Equitable Life Assurance Society gives priority to matching employee gifts, including contributions to the United Way and to specific education, health and affirmative action programs. In addition, the company on its own provides some support for civic and cultural affairs.

But whatever the aid, to whatever group, Equitable makes no bones about its concerns. Kenneth L. Albrecht, vice president in charge of the company's public service division, says: "There is really no point in any corporation wasting its time on matters in which it has no interest and with which it is not equipped to deal. For example, Equitable—as a life, health and pension company—will almost always have a segment of its program devoted to health. If we made musical instruments, our interest in the performing arts would likely be great."

Former Treasury Secretary William Simon, a member of the boards of directors of Citibank, Citicorp and the Xerox Corporation, carried the idea still further in addressing the National Chamber Foundation: "In my view, ev-

## Time Equals Money

Philanthropy is not confined to the giving of money to worthy causes. The American Association of Fund-Raising Counsel, Inc., estimates that unpaid work by volunteers is equal in value to the billions of dollars in money contributions made in this country.

Many businesses—from the largest to the smallest—are lending a helping hand in volunteer work. Programs run the gamut of service.

Last year, the Allstate Insurance Company regional office in Jackson, Miss., "adopted" all 1,000 young people in the Province High School student body. Employees introduced themselves to the students at an Allstate-sponsored athletic day and then became involved in a wide range of activities, including advising the school newspaper's staff, tutoring, improving campus landscapes, accompanying field trips and meeting with the PTA.

"Corporate responsibility is more than a social obligation or a luxury that business can or cannot afford," says Allstate Chairman Archie R. Boe. "It is a necessary commitment in our own interest. Contributions alone will no longer suffice. Corporations will have to exert their influence, and their people must become personally involved."

Just as the arts are continuing to get a larger share of dollar contributions than they did a few years ago, they are attracting a greater number of volunteer workers.

Shirley Keller, director of corporate services for Volunteers: The National Center for Citizen Involvement, which was set up in 1970 to

stimulate voluntarism, says that "more and more people are becoming guides in museums or doing nontraditional forms of work such as proposal writing for grants and management assistance for art organizations." Morgan Guaranty Trust Company, for example, provides management consultants for the performing arts. And Volunteer Lawyers for the Arts, founded in 1969, gives free legal service to artists and art organizations that cannot afford legal counsel.

Some companies encourage employees to give of their own time to numerous causes. Others permit volunteers to contribute their services during the workday. The New England Life Insurance Company, in cooperation with the New York Association for the Blind, has installed a large-print typewriter in its headquarters. During spare moments on the job, employees type books for the vision-impaired.

Companies take different attitudes toward employee volunteer work vis-a-vis career advancement. The Shell Oil Company, for example, does not allow personnel officials to use records of volunteer work in evaluating employees. Bank America Corporation, on the other hand, grades employees on their community involvement.

Many corporations are finding that voluntarism is giving them a bonus. Not only are they improving their images and bettering the quality of life in their communities, but their volunteer workers often are acquiring extra skills that make them more valuable to the firms.

every corporation should spend every dollar of every contribution with the same care and attention as it spends on employee pay and new plant and equipment. Decisions about corporate contributions should also be made on the same level as those about corporate investments. In effect, we should apply zero-based budgeting to corporate contributions; instead of giving money to institutions this year because we gave to them last year, let's ask whether money given in that cause is still serving its original purpose or whether it could better serve that purpose somewhere else."

Putting a corporate giving program into effect on such a businesslike basis may seem formidable, but plenty of expert advice is available for the asking. The Conference Board, the American Association of Fund-Raising Counsel, Inc., the Business Committee for the Arts and the American Council for the Arts, all headquartered in New York, can provide guidance. The National Chamber Foundation has published books detailing the discussions at its two conferences on the subject. The National Endowment for the Arts, a federal agency created in 1965, will give advice on setting up a program of





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support for any segment of the arts.

Giving to the arts is the fastest growing category of corporate philanthropy, having more than doubled in the past five years. When the Business Committee for the Arts, a private group that promotes corporate involvement in cultural endeavors, was founded in 1967, corporate support for the arts totaled \$22 million. In 1978 the figure was \$250 million.

Livingston L. Biddle, Jr., chairman of the National Endowment for the Arts, says many factors, such as laws that provide tax breaks and matching funds that encourage support for the arts, are involved.

"There has been in the last 15 years a dramatic increase in the volume of the arts," he says. "That is having an effect on the amount of support the arts can engender. People are beginning to say the arts really mean something to us. And the Business Committee for the Arts has done a good job of getting support."

**T**HOMAS J. FAY, formerly general manager, public relations, for Mobil Oil Corporation and a director of the Mobil Foundation, says Mobil gives generous support to the arts because they add to the quality of life and because "those individuals, those organizations that are in a position to contribute to the arts, to contribute to the improvement of the quality of life in this country, have an obligation to do so."

In addition, he says, the arts have been, and can be, good business. He says a number of studies "indicate that in terms of jobs produced and spin-off income—economic impact—arts activity pays its own way. In no sense are the arts an economic drag, but just the reverse.

"We're not trying to say that the arts will do to a community in economic terms what a steel mill will, but when you combine the economic impact and the cultural impact, you have a real community and business asset."

A major question for all recipients of philanthropic funding now is whether such giving will continue in today's economic climate.

Edward M. Strauss, Jr., president of the Business Committee for the Arts, says, "During the past recessions, 1968-69 and 1974-75, the trend toward increased corporate giving continued, so we don't expect a drop."

Would further tax breaks further encourage corporate giving? "Probably not," says Fred Schnaue, vice presi-

## Samples of Philanthropy

How much does a given corporation give? Often, only the corporation knows.

Corporations increasingly are making donations through foundations they have set up, rather than directly, and grants from foundations are a matter of public record. But direct corporate contributions are not, and many corporations do not divulge them.

However, the following list of corporate foundations and corporations which make their direct donations public gives an idea of the range of giving by large corporations. The figures are for 1978 and are in millions of dollars.

The Bell System	\$28.1
Exxon Corporation	27.6
General Motors Corporation	22.0
Ford Motor Company	11.5
Atlantic Richfield Foundation	7.5
Dayton-Hudson Corporation	7.1
U.S. Steel Foundation	5.9
Standard Oil Company of California	5.7
Alcoa Foundation	5.0
General Mills Foundation	4.7
Aetna Life & Casualty Company	3.8
BankAmerica Foundation	3.7
Citicorp	3.1
Deere & Company	2.7
Levi Strauss Foundation	2.7

dent of public information for the American Association of Fund-Raising Counsel, Inc. Schnaue explains: "Tax law now permits deducting up to 5 percent of a corporation's taxable income for contributions, yet the average contribution remains about 1 percent."

He does not foresee major changes in the trend of corporate giving, but feels there might be stockholder resistance to initiating programs or increasing the level of giving. "Many would prefer to invest in increased productivity rather than image," he says.

However, as BankAmerica's Clausen puts it, "With relentlessly rising costs, with shrinking governmental funding capacity, with burgeoning civic, social and cultural concerns, the gap in support has to be filled—and by business or probably not at all."



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Mechanization aside, Marvin Lender has not forgotten the fine art of bagel-making.



The Lenders line up behind the marble counter of the restaurant they opened two years ago. The entree is, of course, bagels in dozens of variations. From left are Marvin and wife Helaine, Joyce and Murray, and Sam and Lena.



# Bagel

By Priscilla Schwab

**U**NBEKNOWNST to the millions who have never tasted the Brooklyn bagel or dismissed it as the Jewish answer to Dunkin' Donuts, brothers Murray and Marvin Lender are dedicated to the goal of replacing everybody's toast and sandwiches with bagels, made, of course, by Lender's Bagel Bakery in West Haven, Conn.

If you've never heard of a bagel, you will now. It's been called a crocodile's teething ring, a mouse's life preserver, and the spare tire on an Israeli sports car, but by definition it's a circular product made from high gluten flour mixed with water, malt, sugar, salt and yeast, allowed to rise for 13 minutes, then boiled and baked. No additives, no preservatives.

If you've never heard of Murray or Marvin or their older brother Sam, a master bagel-maker, you're also in the majority. But that won't last much longer. Listening to them talk and plan is to be brainwashed in bagelism.

"The Chinese did not invent it, and the Russians borrowed it," contends Murray. "It's really a mongrel product, but the earliest versions probably first saw the oven in Vienna during the late 1600s. It followed the Jews wherever they wandered."

It followed the late Harry Lender from his native Poland in 1927 to Passaic, N.J., where he quickly found a job making bagels—his trade—but just as quickly found that skilled bagel-makers make a lot of bagels but not much money working for someone else. Within six months, he moved to New Haven, Conn., where he managed to take over a one-man bakery.

By 1929, he had saved enough money to bring his wife and two young sons, Sam and Hy, to America. (Murray arrived nine months later. "I was the first American-born Lender," he

says. Marvin arrived 10 years after that.)

New Haven was not exactly a mecca of Judaism, however. There were only 15,000 or so Jewish people living in the area, and they ate bagels mostly on Sunday mornings. Also, Harry Lender had to supply seven or eight other bakeries with bagels.

"You couldn't bake enough bagels for Sunday, and you couldn't give them away on Monday," says Murray, who learned to craft a bagel as he was teething. "It was like Christmas trees on the 26th of December."

The problem was that bagels were invisible to 99 percent of gentile Americans not living in Brooklyn or the Bronx. Still, as his sons Sam, Murray and Marvin were growing up (Hy never got into the business), Poppa Harry's bagels began to impinge on the consciousness of non-Jews. By word of mouth, through the 1940s and 1950s, the bagel became more than just an ethnic joke to the residents of New Haven, who bought enough to establish the Lenders in a solid business.

So how did a couple of nice Jewish boys turn a modest bagel bakery where Harry and son Sam were hand-shaping 150 to 200 dozen bagels an hour into an automated factory system that produces almost 1.3 million a day? (That's 14,000 miles of bagels a year.) The change began in 1955 when the Lenders first froze a batch of bagels... secretly. "My Dad saw freezing as a way to solve our production problems," says Murray. "Demand had built up so much that we were working seven days a week to supply the delicatessens and grocery stores as well as customers. The strain was hurting our family life."

After working 18 and 20 hours at a stretch to meet the Sunday rush for

bagels, the Lenders would have to spend Sunday nights making up enough bagels for Monday's deliveries—about 200 dozen at that time. One Friday, they made extra bagels and slipped them into a second-hand freezer Harry had bought. The next Sunday night, they took the bagels out of the freezer and went home to rest. Soon they were freezing supplies for Monday, Tuesday and Wednesday. "We never told anybody the bagels had been frozen," says Murray. "Nobody ever asked." By 1957, the Lenders were on a four-day week, "which was terrific."

But one morning a delicatessen found three dozen still-frozen bagels on its doorstep. "I forgot to defrost them," laments Murray, "and the store owner was mad as hell. There was no way I could tell him he had been selling frozen bagels for two years. Before you could say *shalom*, the word was out. The Lenders were passing off frozen bagels for fresh. I had to do some fast talking. That's how I began learning the art of selling."

**T**WENTY YEARS LATER, the Lenders are still trying to unseal the belief that anything fresh just has to be better than frozen. "Frozen is the freshest way we can bring the bagel to everybody," asserts Murray, whose salesmanship has put bagels in every chain supermarket's frozen food locker. How do you convince the traditionalists whose loyalty to fresh is unshakable?

"Simple," says Murray. "You test it. Take a baked-this-day bagel and a defrosted bagel, toast them in the oven, spread a little butter and taste each. You can't tell the difference."

Still, traditions are self-perpetuating. So early on, the Lenders concentrated their plans for growth on the



millions of people who grew up on Danish and doughnuts for breakfast. For them, the bagel was reformed. Like the ice cream magnates who discovered that more flavors mean more sales, the Lenders began putting ingredients into the plain bagel that would have curdled their father's dough.

Today, you can find onion bagels, egg bagels, rye bagels, garlic bagels and pumpernickel bagels. Some bagels have poppy seeds, some have sesame seeds and some are miniatures called bagelettes.

For the uninitiated, the best-tasting are the wheat and honey or raisin and honey variations. "I have to tell you," says Murray, "I've been eating bagels for 50 years, and my favorite is the wheat and honey we introduced two years ago."

Even the fastest bagel-maker—the Lenders dispute the title among themselves—couldn't keep up with the growing demand from restaurants and hotels. "We wanted to keep growing," says Marvin, "but there was no way to get into mass production by hand because we didn't have enough hands. There weren't enough Lenders, for sure, and it takes a year to train a quality bagel-maker." Bagel-making was not exactly a top career choice among high school graduates, and no-

body was making machines to make bagels. "Nobody wanted to, either, because the market didn't exist," adds Marvin.

**W**HAT HENRY FORD did for the motor car, the Lenders did for bagels. They scoured this country and searched abroad for baking machines that could be retooled or adapted to make bagels. Mechanizing the hand process of cutting the dough into long strips and then shaping a circle proved impossible. "You can do things with your hands that a machine cannot mimic," says Marvin. "We ended up redesigning the basic doughnut-maker."

The first machine-made bagel rolled off the assembly line in 1962. Today, that same assembly line, "the result of much thinking and tinkering," produces 1,000 dozen bagels an hour. After the dough is mixed in temperature-controlled vats, which are fed flour from 100,000 pound silos and other ingredients through a computer-controlled push-button system, the lump of dough moves on a conveyor belt to a machine that divides it into little balls about three inches in diameter. A series of rubber suction cups massages the balls and pushes them into a shaping machine which makes the hole.

Then the raw bagels go through a proofer—a cabinet with moving shelves—where the active yeast doubles their size. From there, they are dipped in boiling water for about a minute and then picked up by another conveyor from which the excess water drips off.

As the bagels move along, they are lined up in rows of 24 for baking. When the ranks of bagels march out of the oven, they are cooled, sliced, slipped by the half dozen into plastic bags and then quick frozen.

Even though machine-made, no bagel is like another. "They're like snowflakes," says Marvin. "That's why it is difficult to, first, design efficient machines, and two, keep them operating. Because of the tough consistency of the dough, which has much less water content than typical American bread, the machines need minute-by-minute monitoring and continual adjustment."

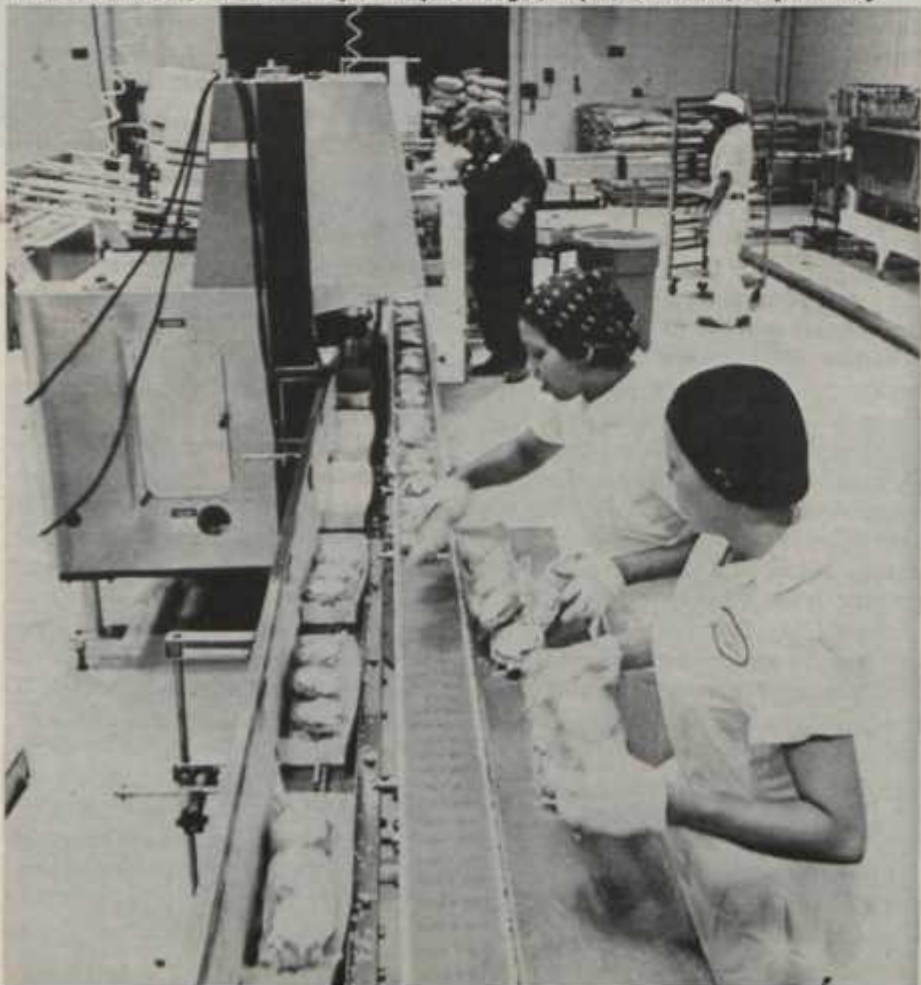
Because the machines are not perfect, misshapen bagels sometimes get baked; usually they are caught before they go into the proofing process. What happens to bad bagels? Marvin winces at the phrase, but admits that there are a lot of well-fed cows and pigs around New Haven.

**B**Y THE TIME the machine age was well-established in the Lender bakery, Murray was on the road, selling the concept of frozen bagels to food brokers, supermarkets, grocery stores and anybody who would listen. Marvin stayed home to mind the machines and produce all the bagels that Murray could sell. Sales last year exceeded \$22 million.

This past decade, the Lenders have expanded from the bakery in West Haven (which Harry, who died in 1960, had bought in 1934) to three other plants—one in Buffalo, N.Y., that has the most modern equipment, some of it experimental; and two in New Haven, one of which produces the Lenders' latest secret weapon—the pizza bagel.

The pizza bagel—with plain cheese, onion, mushroom or "the works" toppings—is Murray's brainchild. "Half of New Haven is Italian," he says. "When I wasn't eating bagels, I was eating pizza." Every day, the original factory delivers about 20,000 bagels to the "pizza parlor," where they are sliced in half, lined up in rows, dolloped with tomato sauce, cheese, spices and toppings, then flash frozen, wrapped and packaged for delivery to more than half a dozen cities along the East Coast, including Philadel-

The Lenders' latest market entry is the pizza bagel, "a perfect match," says Murray.





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How far can you go with one basic product in a Heinz variety world? For bagel buffs, there is no limit. None of the Lenders has an M.B.A.—“we graduated from the Lender school of business”—but they have shaped their business strategy by modifying the principles of diversification. “Bagels are what we know and do best,” says Murray. “Rather than diversify into other food lines to protect against market softenings, we are diversifying with bagels.”

Thus, the bagelette, which was once just a specialty item for caterers who used them for hors d'oeuvres but is now being marketed along the East Coast; the 11 varieties of bagel, with still more in the test kitchen; the over-size 14-ounce bagels for use in restaurants, hotels, schools and other institutions; the pizza bagel, which will be distributed across the country by mid-1981, and a national promotion campaign to proselytize the myriad uses of the once-plain bagel.

For example, bagels make non-soggy bottoms for Sloppy Joes, according to Murray. They add gusto to peanut butter and jelly. They mix tastefully with

melted cheese and tuna fish. They go great under eggs benedict. In fact, the Lenders boast, bagels will substitute splendidly for bread, rolls or muffins in every gastronomic setting the imaginative cook can think of.

And if you're not noted for creative cooking, the Lenders are. They publish recipes on the bagel packages.

There are even two cookbooks that detail at least 100 ways to dress up a bagel for every meal and reveal every little-known fact nobody ever asked about bagels. (*The Bagel Book*, Grosset & Dunlop, New York, and *Bagels! Bagels! and more Bagels!*, Rand, McNally & Company, Chicago.)

And if you don't want to fix bagels at home, you can go out to eat at the Lenders' bagel restaurant in West Haven that specializes in variations for breakfast, lunch and dinner as well as selling freshly baked bagels that have been frozen raw.

**T**HE BAGEL HAS even become an art form. Seven years ago, Murray's wife wanted something for son Carl's bar mitzvah. So she went to Willie Evans, an artist and cartoonist who had joined his old schoolmate

Murray to dream up the advertising and promotional gimmicks that would sell bagels. Willie had an inspiration—if you painted a mouth on the bagelette, the whole thing could look like a face. The Bagelhead was born. Willie provided each guest at the bar mitzvah with a bagelette painted to look like him or her. “It was a big hit,” says Murray. “It upstaged my kid, and he still hasn't forgiven me for that.”

The Bagelhead begot an entire family of personalized, hand-painted bagelettes which were sold in promotional pushes across the country. “One week, we had 5,000 coupons returned asking for Bagelhead necklaces,” says Willie, who also started the custom of providing “Leprecohens”—green bagels bearing leprechaun images—for St. Patrick's Day. In recent years, the Bagelhead has spread to a set of whimsical greeting cards and yellow T-shirts that proclaim: “I'm a Lender's Bagelhead.” Bagelettes are even used as shade pulls in one of the Lender homes.

“The bagel is a fun product,” says Murray. “It's fun to eat, and you can have fun with it. So start laughing and try it.” □

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# EXPORTING-

**D**OMESTIC AND FOREIGN trade are inseparable today, Secretary of Commerce Philip M. Klutznick says. "If you can't produce for the domestic market what Americans will buy, why expect the world to buy it at a sacrifice?"

About 7.5 percent of the United States' gross national product comes from exports; one of every nine Americans employed in manufacturing is producing for consumption abroad. But the U.S. didn't have a central agency responsible for trade, foreign and domestic, until January, 1980, when trade functions of several federal units were consolidated in the Commerce Department.

Klutznick became Commerce Secretary that same month, and he has spent much of his time since then promoting increased exports of U.S. goods and services.

Described by a business associate as 73 going on 50, Klutznick served six Presidents before Jimmy Carter, most notably as ambassador to the United Nations Economic and Social Council from 1961 to 1962. His business career concentrated on real estate development—he founded and headed the Urban Investment and Development Company in Chicago and helped develop the Chicago suburb of Park Forest.

In an interview with a *NATION'S BUSINESS* editor, Klutznick talks about the loss of U.S. preeminence in trade and how we can do better.

**Q** There is a popular view that the U.S. is falling behind as an exporting nation. Is that too pessimistic?

**A** Despite all the shedding of tears, this is apt to turn out to be the best export year in our history as far as manufactured goods are concerned. The trade imbalance will still be present [probably about \$30 billion, according



Commerce Secretary Philip Klutznick focuses on exports.

to Commerce's Bureau of Economic Analysis] because we will be importing the largest dollar amount of petroleum in our history—it may reach \$90 billion. But while we worry about automobiles, steel and a few other industries, we tend to forget that the U.S. is still the world's most productive country and that our products are competitive in many respects.

**Q** Is the U.S. suffering from a Marshall Plan mentality—the idea that we are still uniquely the world's predominant economic power?

**A** No. The U.S. does not occupy the same position vis-a-vis the planetary gross national product that we did in 1946 when we hovered around 48 percent. We are not living in 1946, but we are still by far the world's largest economy. We are still at 25 percent of the world GNP, and our \$2.5 trillion GNP was achieved in a year of recession.

However, countries we helped through the post-World War II Marshall Plan have reached a stage of competitiveness that didn't exist in 1946 and 1947.

**Q** Compared with European companies, few U.S. companies trade abroad. How would the Export Trading Company Act help if it is enacted?

**A** The act would give us a tool, the ability to consolidate the export efforts of small and medium-sized businesses. An export trading company concerned with servicing the products of smaller companies can help overcome language and legal problems and can supplement small companies' limited personnel resources. Small business is the largest frontier in our program to spur foreign trade.

**Q** What else is on the Commerce Department's agenda to help small business?

**A** We've intensified our support of technology. This is particularly important for small businesses because they can innovate more rapidly than large companies and can adapt new technology more rapidly.

We have also expanded the *Commerce Business Daily* newspaper [the paper lists government contracts open for bids], expanded our trade development centers at home and overseas, and initiated the Worldwide Information and Trade System—WITS—to provide accurate information about sales prospects and suppliers. For only a nominal fee, small companies will get needed information and avoid an expensive computer purchase.

**Q** Aren't American companies handicapped by government regulations that don't apply in other countries with which we deal?

**A** The cost-effectiveness of regulations is a burden. But we ought to identify something else, and I say this as one who comes from private business: There



# A Matter of Survival

are just as many regulations on our books because certain sectors wanted them as there are those that were created by members of Congress of their own volition or by a President of his own volition.

So if there has been sin—and there has been—I think labor, business and government all share it.

**Q** Has U.S. trade been hurt by antitrust laws?

**A** I believe that antitrust has served a constructive purpose to maintain a competitiveness among industries. I also believe there are some who have become obsessed with antitrust laws and have made a religion of it.

As circumstances and times change, the law must follow society rather than society follow an archaic law. At one point I said to a lawyer who was giving me some difficulty: "You know we would still have child labor if we hadn't changed our attitude to conform to a changing society." An industrial society has to have different interpretations of law than an agrarian society. In a world shrunk to peanut size, if you don't mind me saying so, the U.S. cannot abide by the same interpretations of domestic law that we had when we lived on the largess of our own markets and production.

**Q** Are we also deficient in not offering credit supports for trade?

**A** Way behind. For example, the Export-Import Bank ran out of money before Congress got around to reauthorizing the funding. Our credit resources are inadequate today against the amount of trade we expect to do.

**Q** What price should the U.S. pay for higher standards of clean air and pure water?

**A** The people are entitled to determine the price they are willing to pay. Certainly our environmental standards are higher than most countries'.

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**“In America the cure can only come through the vitality of the private sector. The only thing that government can do effectively—and sometimes we show our inability to do that—is to eliminate disincentives and to create, where necessary, public incentives.”**

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My view is that we can afford our environmental standards if we space them properly. For example, if you suddenly impose on a major heavy industry a totally additional bill, the businesses can't generate the profits or the cash to pay for it. The choice is one of two things: reduce productive capacity or go out of business.

**Q** Is a monitoring system for checking up on foreign compliance with multilateral trade agreements being developed?

**A** When I first started at Commerce, I was terribly worried about the monitoring of the high-technology and grain embargoes to Russia. We were stopping those who make applications, but couldn't there be leakage? Well, the competitor in the field is in many ways the best policeman; he provides the leads. Why should a company be euchred out of a responsible bid by a competitor who has violated the law?

**Q** Why does the licensing review process take so long?

**A** I would ask for some compassionate understanding of what has happened in the last six months, such as the Soviet grain embargo and new regulations to enforce. As is typical in public life, you inherit problems, but you don't always inherit the staff or the resources you need. We got behind.

**Q** What do you think about using trade as a foreign-policy instrument?

**A** The first rule of sovereignty of any nation is to protect the security of its people. I would certainly use economic sanctions if that could avert, delay or completely destroy the prospect of military engagement.

**Q** Overall, you seem to be saying trade is misunderstood by many Americans.

**A** The public must understand that trade is a two-way street. Too many people think of exports only. I don't. There are countries that don't have the resources to buy from us if we don't buy from them.

Since 1961, when the United Nations launched the first development decade, much progress has been made. About a third of the one third of the world that used to be considered developing nations now compete with us. They are emerging industrial nations. For example, Inland Steel, near Chicago, dedicated a new 7,000-ton-per-day blast furnace last month. South Korea, a country we fought to save, already has a 12,000-ton furnace. South Korea is one of our competitors.

**Q** What positive steps can government take to cure our trade problem?

**A** In America, the cure can only come through the vitality of the private sector. The only thing that government can do effectively—and sometimes we show our inability to do that—is to eliminate disincentives and



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to create, where necessary, public incentives.

We can't change the basic nature of the American economy, or we lose our ability to compete. The strength of the economy is the willingness of the private sector to move forward and meet any corner, here or elsewhere in the world. And that is what government must and does finally realize.

### Q Should the Commerce Department help solicit business?

A A European businessman bidding for a big foreign contract can get crucial help from his Ministry of Trade. This was done for the first time by the U.S. a few months ago. My deputy secretary, Luther H. Hodges, Jr., went to Latin America to help support an American bid for a \$150 million project. The bid was strengthened by the United States government demonstrating a good relationship with the country involved and an interest in getting the business.

A Middle East country has just bought the Airbus jetliner which is built by a consortium of European nations. From the information I have, they chose the Airbus because the president of France made a contact with them. Do you know what that loss means to the U.S.? It is not only the order itself, it is the replacement, the parts, the service. Now we can't afford to sit back and let every free country in the world, and those that are not so free, support their industry while we don't.

We are making it clear in all our discussions with domestic industry groups that the Commerce Department is prepared to offer support, to send people from the nearest office or people from Washington. We cannot accept conditions of competition without meeting them if we expect to be competitive.

### Q Can you still be optimistic?

A What has happened to the U.S. in these past few years was a tragedy, but it may have taught us a lesson. Even if it costs more than \$85 billion to retool the automobile industry, for example, it may be the best investment we could make.

I think you will see continued growth in electronics and other fast-growing export fields and you will also see growth in heavy industry. I think the U.S. has learned a lesson and is just not going to be second best. □



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# EMPLOYEE BENEFITS Hit New Highs

By Fred D. Lindsey

**E**MPLOYEE BENEFITS, ranging from paid holidays to pensions, will cost American employers a record \$420 billion this year—about one third of total payroll dollars.

Benefit costs are growing much faster than wages. They increased 171 percent between 1969 and 1979, while wages and salaries grew 107 percent.

Employers spent an average of \$106.92 per employee per week for benefits last year, compared with \$39.46 in 1969.

The amount and nature of employee benefits is analyzed in a new survey of 922 manufacturing and nonmanufacturing firms conducted by the Chamber of Commerce of the United States. U.S. Chamber surveys have traced the growth of employee benefits since 1947.

Benefit costs vary widely from company to company and industry to in-

dustry. Forty-seven firms reported their benefit costs last year were less than \$50 per employee per week, while at 82 firms the figure was more than \$150.

Petroleum industry benefits averaged \$175.48 weekly. For utilities, the figure was \$143.58 and for the chemical industry, it was \$135.79.

Among the lower paying industries were department stores, whose payments averaged \$58.35; textile products and apparel, \$59.58, and hospitals, \$64.60.

The principal types of benefits are (1) wages paid for time not worked, including vacations, holidays, sick leave, coffee breaks and rest periods, totaling an average of \$37.94 per week; and (2) nonwage payments for pensions, insurance premiums, Social Security taxes, unemployment compensation taxes,

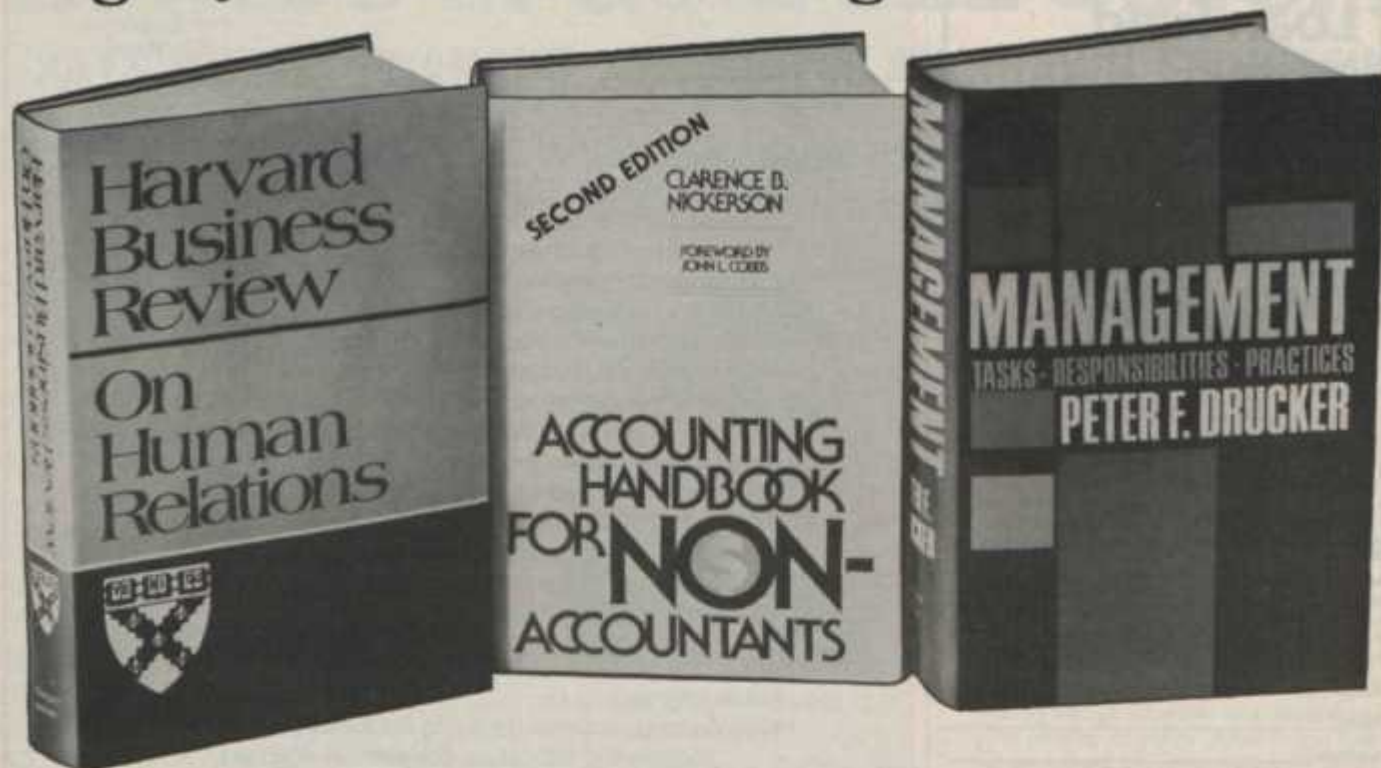
## Weekly Employee Benefits, per Employee

	1969	1979	Percent Change
Old-Age, Survivors, Disability and Health Insurance (FICA taxes) .....	\$6.44	\$16.87	+162%
Insurance (life, hospital, surgical, medical, etc.) .....	5.00	16.56	+231
Pensions (nongovernment) .....	5.88	15.87	+170
Paid vacations .....	6.17	13.63	+121
Paid rest periods, coffee breaks, lunch periods, etc. ....	4.12	10.37	+152
Paid holidays .....	3.85	9.27	+141
Workers' compensation .....	1.29	4.90	+280
Unemployment compensation taxes .....	1.10	4.40	+300
Profit-sharing payments .....	1.63	4.15	+155
Paid sick leave .....	1.25	3.60	+188
Christmas or other special bonuses, suggestion awards, etc. ....	0.67	1.23	+84
Salary continuation or long-term disability .....	N.A.	0.88	N.A.
Thrift plans .....	0.23	0.83	+261
Dental insurance .....	N.A.	0.77	N.A.
Employee education expenditures .....	0.12	0.48	+300
Employee meals furnished free .....	0.29	0.44	+52
Discounts on goods and services purchased from company by employee .....	0.17	0.27	+59
Other employee benefits .....	1.25	2.40	+92
<b>Total employee benefits .....</b>	<b>\$39.46</b>	<b>\$106.92</b>	<b>+171</b>
<b>Average weekly earnings .....</b>	<b>\$141.44</b>	<b>\$292.13</b>	<b>+107</b>

N.A. Data not available.



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## Weekly Employee Benefits Costs by Industry in 1979

Per Employee  
per Week

All Industries .....\$106.92

### Manufacturing:

Petroleum industry .....	175.48
Chemicals and allied industries .....	135.79
Transportation equipment .....	128.17
Primary metal industries .....	126.44
Machinery (excluding electrical) .....	113.83
Electrical machinery, equipment and supplies .....	106.81
Fabricated metal products (excluding machinery and transportation equipment) .....	102.38
Instruments and miscellaneous products .....	101.00
Stone, clay and glass products .....	100.94
Food, beverages and tobacco .....	99.87
Printing and publishing .....	98.35
Pulp, paper, lumber and furniture .....	97.35
Rubber, leather and plastic products .....	88.67
Textile products and apparel .....	59.58

### Nonmanufacturing:

Public utilities .....	143.58
Miscellaneous nonmanufacturing industries (research, engineering, education, government agencies, mining, construction, etc.) .....	111.06
Banks, finance and trust companies .....	101.48
Insurance companies .....	101.31
Wholesale and retail trade .....	74.17
Hospitals .....	64.60
Department stores .....	58.35

profit-sharing payments and similar benefits, averaging \$68.98 per week.

More than 25 benefits are covered in the survey. Five—government pensions, private pensions, insurance premiums, paid vacations, and paid rest periods and coffee breaks—each cost more than \$10 per employee per week and, as a whole, were over 69 percent of total benefit payments.

The most expensive benefit was employer payments for Old-Age, Survivors, Disability and Health Insurance (FICA taxes), averaging \$16.87 per employee per week. This does not include an equal amount withheld from the employee's wages.

Life, hospital, surgical and medical insurance was the next most expensive benefit, costing an average of \$16.56 per week per employee. This is one of the fastest growing benefits; it has increased 231 percent since 1969.

Private pensions cost an average of \$15.87 per employee per week. The petroleum industry's pension payments were highest, averaging \$43.83, followed by public utilities with \$34.77.

The cost of paid vacations averaged

\$13.63 per week. Vacations averaged 12 days per year for all industries, ranging from 16 days for the petroleum industry down to eight for textiles and apparel and the wholesale and retail trade industry.

Paid coffee breaks, rest periods, wash-up time and other on-the-job time paid for but not worked cost employers an average \$10.37 per week per employee last year.

Paid holidays averaged eight per year, costing employers \$9.27 per week per employee.

Only a small portion of employers reported paying several of these last benefits, meaning that they were actually far more costly than the averages indicate. For example, profit-sharing payments averaged \$4.15 for all companies in the survey but were \$19.76 for companies that made such payments. □

EMPLOYEE BENEFITS 1979, a 36-page report, can be purchased for \$7 per copy from the Chamber of Commerce of the United States, 1615 H Street, N.W., Washington, D.C. 20062.



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## Why Did He Take Out A Full Newspaper Page Telling People To Sell Gold And Silver Right At That Time?

Because he knew the dangers of gold and silver at their crazy high prices—not only to anyone hoarding them but to our country as well. And he was willing to personally pay for a FULL PAGE to warn people to sell them **right away**. . . . *The very next day gold and silver prices collapsed!*

## What Did That Newspaper Page Cost?

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## Who Helped Him Pay For It?

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Alan Shawn Feinstein

## Does Mr. Feinstein Have Any Ties to Gold or Silver Companies?

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Alan Shawn Feinstein's syndicated financial column, "The Treasure Chest" is in newspapers throughout the United States and in Europe, Africa and Asia. He has also written several books on his travels to other countries. His financial newsletter, *The Insider's Report*, is one of the most widely read private newsletters in the world. A new communications laboratory at a leading Eastern University has just been named the "Alan Shawn Feinstein Laboratory" after him.



## Dinosaur Tracks Make a Comeback

After 41 years of selling dinosaur tracks, Carlton S. Nash says: "It's a very lucrative business. A nice little track, say about five to seven inches long, on a piece of stone for a paper-weight goes for about \$65 to \$100. And we have slabs about four feet by 12 feet with a couple of series of tracks that sell for about \$8,000."

Nash grew up hearing about dinosaur tracks from his father, who talked about how a stone slab with tracks had been found in 1802 on a farm close to the Granby/South Hadley line near their home in Massachusetts. Nash studied geology at Amherst College and began looking for more tracks. He found them in 1933.

"I found parts of toes and parts of tracks, and then I pried up a slab and saw several whole prints," he says. "But I didn't own the land, so I didn't say anything for six years." After Nash persuaded the owner to sell, he moved his wife and family there and began operation of the world's largest dinosaur footprint quarry.



How does Carlton Nash, seller of tracks made ages ago, dig them up? Carefully.

More than 5,000 tracks have been carefully removed from about 50 different layers of rock with drills, chisels and wedges. In addition to tourists, buyers have included the Boston Museum and such notables as Lowell Thomas, John Cameron Swayze, Dale Carnegie and Gen. George S. Patton.

In 1939, Nash also opened Nashional Dino Land at the site of the quarry. The combination museum, park and souvenir shop is a popular roadside attraction. In addition to footprints, there are "tail prints and body prints, dinosaur bones and gizzard stones," which Nash explains were swallowed by the animals to help them digest their food.

Once a year the family travels west to stock up on petrified wood, petrified clams, fossil fish and other treasures for their shop. But some items, such as the fragment of a dinosaur egg shell from China's Gobi Desert, will remain as museum attractions.

As for what people do with dinosaur tracks besides use them for paperweights, Nash says: "A man from St. Paul, Minn., bought 41 tracks on a 20-by-10-foot section, cut it in squares and put it together for a terrace."

The prints vary in size from an inch to 23 inches across, and because the stone layers containing the prints are only a quarter-inch to an inch thick, they are not very heavy. So Nash does a brisk mail-order business. "People are buying as an investment and a hedge against inflation," he says.

Now the federal government wants to buy the land, but Nash is thinking the offer over. Meanwhile, he gently works his backyard gold mine in fossilized footprints.

## Pioneering In Paper Clothing

Cimena M. Cummings' two little girls are as familiar with paper clothes as most children are with paper dolls. That's because their mother lets them spend a lot of time at her factory in Chicago, where she manufactures nonwoven garments, the disposable cloth-



Cimena Cummings finds nonwoven clothes require special sewing techniques.

ing used by hospitals, nuclear plants and many other facilities.

Although Cummings now has accounts in 22 states, getting started wasn't easy.

The idea for paper clothes came from a friend who returned from Europe talking about the disposable garments being worn by avant-garde Parisians. So, seven years ago, with just \$500 and an old Singer sewing machine, Cummings started the T.L.C. Company—Tender Loving Care—in her basement.

Cummings, a former cost accountant with a bachelor of science degree in business from Loyola University, "bid very low on a big hospital contract," she says. "The hospital called and asked if I had taken leave of my senses because I had basically a one-person operation and couldn't handle a contract that size." But the hospital gave her a smaller contract.

She spent hours on research and design—and redesign when the hospital wasn't satisfied. Finally, she came up with just what the doctors ordered in a coverall for use by nonmedical personnel. At that time, most large manufacturers of nonwoven clothing were supplying only sterile garments for operating areas.

Such coveralls are still the biggest sales item for T.L.C., but the company makes many other garments, including gloves for a large bakery. "We do a lot of custom designs," Cummings says. The operation has now moved into a factory and employs 37 people.



But Cummings, a divorcee, keeps a small office aside for daughters Dejanette, 8, and Ayana, 7, so they can get well-acquainted with the business. "I think that is very important for children, especially girls," she says. And, despite 12-hour days, Cummings finds time to help other black women learn about the business world through her work with several organizations.

Now Cummings has more competition in the manufacture of nonsterile garments, but she isn't worried. "Eighty percent of our customers are referred to us by others," she says, "so we must be doing something right."

## A Manager Who Went Into Labor

When Beth Andrus and her husband, dairy farmer Jerome Willson, a railroad buff, and four others formed the Michigan Northern Railway Company in 1976, she hadn't been on a train since she was five years old.

Andrus, at the time, was helping her husband run a 300-acre dairy farm near Lansing and instructing in political science at Michigan State University and community colleges. But within six months she was named president of the Cadillac, Mich., company, which contracted with the state of Michigan to provide rail service on 250 miles of the defunct Penn Central system. She started as treasurer, but the board liked what it saw and upped her to the top job. Her husband, who still runs the dairy operation, is in charge of track maintenance.

The line runs two trains daily from Cadillac, one south to Grand Rapids and one north to Mackinaw City. "For a short-line railway, it's very large—most shortliners are about 30 miles long—but for a big railway, it's very small," says Andrus.

In the early years, the management staff ran a once-a-week trip to Traverse City to relieve the regular crew, and Andrus quickly learned to handle the throttle. "It's not very difficult with short trains of only six or eight cars," she says, "but now I'm lucky if I can find the time to jump on the train for a few minutes to talk to the crew."

The line, which hauls mostly lumber and liquefied petroleum gas, is now subsidized by the state, but Andrus says: "Our goal is to get off of subsidy, which we project we can do by 1983. It took about 25 years to destroy this railroad and we're talking about eight to bring it back to life."

Speaking of life, Beth Andrus is probably the only railroad president to have had a baby while so employed. Andrus recalls: "We had a major case before the Interstate Commerce Commission, which we won in August, 1978. The next day I went into labor."

## Cleaning Up With An Original Idea

While pushing a broom has never paid very well, two Los Angeles entrepreneurs, Charlie Burke, 42, and Dave Johnson, 25, are sweeping up profits with Mac Sweep, a forklift attachment for cleaning up heavy debris.

In August, 1977, they started out with the idea that since "everybody in industry has a forklift," an attachment that would sweep up a plant would be much more economical than buying a whole new machine for just that purpose. So, with two employees and a newly purchased invention for the item, they began production.

"We started with three models and were selling about two per month then," says Johnson. "Now we have eight employees and are producing eight different models. Sales are averaging about 10 a month." They now count the federal government among their accounts—Mac Sweep is in use cleaning up Army, Navy and Air Force installations—and are exporting to several countries.

The attachment, the firm says, is built like a tank, is almost indestructible and costs about half the price of a sweeper vehicle. The unit can clean two to four acres of dirt, gravel, nails, metal scraps, broken glass and even paint can lids in an hour.

"We sold one to a Northwest chicken rancher who uses it to clean out the chicken coops, and several foundries use them to sweep up heavy metal and sand," says Johnson.

Burke and Johnson once found that being unknown was their biggest obstacle. But that is rapidly changing and they expect sales this year to exceed \$900,000. "We know how David felt when he met Goliath," says Burke. "We're competing with giants who gross \$100 million a year in sales. We just want to carve out a small part of a big market." □



Charlie Burke and Dave Johnson look at Mac Sweep models with an eye toward improvement.



# Let's Mend Our Economic Constitution

By Dorothy M. Tella

**D**O WE HAVE an Economic Constitution? Yes, although, of course, there is no document with that formal title. The original Constitution of the United States (the seven articles drafted in Philadelphia in the summer of 1787) and the Bill of Rights (the 10 amendments added in December, 1791) contain several sections and clauses whose purpose was to limit the taxing and spending authority of the federal government and to protect property from depredation by the federal government or by the states. They functioned as an Economic Constitution.

These portions of the Constitution remain on paper today, but they no longer act as constraints on government the way they once did. In the course of the 20th century, they have become so weakened that they offer little protection for individual economic rights. Some have been overridden by amendment and court interpretations. Others have become mere relics, ignored by courts and Congress alike.

As we approach the 1987 bicentennial of the Constitution, it is apparent to all that government is out of control: Taxation and federal spending have been rising at unprecedented rates, and regulation has spread to virtually every area of economic life. The time is clearly right to ask how we might revitalize the Economic Constitution.

What once served us as an Economic Constitution had three main parts: the Apportionment Clause in Article I, Section 9 of the Constitution; Article I, Section 8, reinforced by the Tenth Amendment, and the Contracts Clause in Article I, Section 10, supplemented by the Fifth Amendment.

The Apportionment Clause, which

remained in force until modified in 1913 by the 16th Amendment, required that any direct tax levied by Congress (presumably anything other than a duty, impost or excise) be apportioned among the states according to population, on the basis of the previous census. This clause is best remembered today for having delayed introduction of the federal income tax. The Supreme Court, in 1895, declared the first income tax enacted by Congress

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**"These portions of the Constitution . . . have become so weakened that they offer little protection for individual economic rights."**

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unconstitutional on the ground that, as a direct tax, it violated the apportionment provision. It took the 16th Amendment to empower Congress to tax income "from whatever source derived, without apportionment among the several States, and without regard to any census or enumeration."

But what is most significant about the Apportionment Clause is the way it was designed to act as a check on Congress. While it was in force, direct federal taxes had to be apportioned on the same basis as representation in the House of Representatives, the body which, according to the Constitution, must originate all tax bills. Any new direct tax, therefore, had to fall equally upon the constituencies of all House

members. Congress could not escape the political consequences of raising taxes by placing a disproportionately large share of the tax burden on a minority of the electorate. As envisaged by the framers of the Constitution, the Apportionment Clause provided a clever and powerful mechanism for constraining federal taxation.

A check on federal spending lies in Article I, Section 8, of the Constitution. This section lists the authorized powers of Congress: to provide for the common defense and general welfare; to regulate foreign and interstate commerce and commerce with the Indian tribes; to establish uniform naturalization and bankruptcy laws; to coin money and regulate its value, and so forth. Congress was empowered to tax and spend, not for whatever purpose it might choose but to carry out certain specifically authorized functions. As if to answer the argument that the listed powers were intended only to be illustrative, the 10th Amendment emphasized that any "powers not delegated to the United States by the Constitution, nor prohibited by it to the States, are reserved to the States respectively, or to the people."

**A**RTICLE I, Section 8, is now as much a dead letter as the Apportionment Clause. The list of federal functions has either been ignored by the President and Congress or interpreted so broadly that virtually anything a President or Congress has wished to do appears to be authorized by the Constitution. Willingness to ignore the Constitution entirely came rather recently in our history: Even in the 1950s, the Eisenhower administration felt it necessary to justify the federal highway program and federal assistance to higher education by referring to the national defense function listed in Article I, Section 8. Since the mid-1960s, howev-





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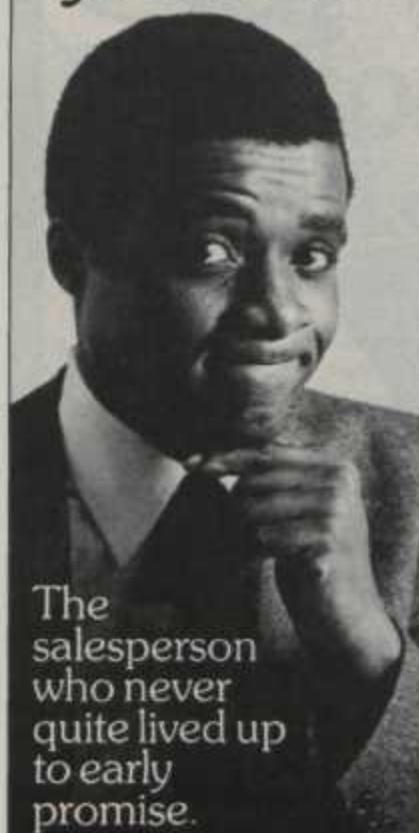
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er, new federal programs have been launched without even a nod in the direction of the Constitution.

The enfeeblement of Article I, Section 8, has come mainly through modern interpretations of the Commerce and Welfare clauses. Scholars who have delved into the matter are of one mind that the framers of the Constitution wrote the Commerce Clause to prohibit the states from regulating foreign and interstate commerce—not, as modern interpreters would have it, to give unlimited regulatory power to the federal government. It is not clear what precise meaning, if any, the framers of the Constitution attached to the words "general welfare." It is clear, however, that in the last two decades, Congress has fostered—and the public has been all too willing to accept—the presumption that any act of Congress must, simply by virtue of its having been enacted, provide for the general welfare of the United States. This is despite a large body of evidence that much of federal spending and regulation promotes not the general welfare but the particular welfare of individual groups of voters.

**T**HE PRINCIPAL constitutional protections of private property are the Contracts Clause and the Fifth Amendment, the former prohibiting states from passing laws impairing contract obligations and the latter declaring that no one shall be deprived of property without due process or have his property taken for public use without just compensation. These portions of the Constitution may have served well against the kinds of government assaults on property that were common, or feared, in the 18th century. However, as they have been interpreted by the courts, they provide no protection against the device of government which has become, in the 20th century, the most pervasive threat to property—regulation.

Regulation does not involve a physical taking of property. However, the very essence of regulation is a change in the rights that go with the ownership of property—be it land, a building, equipment, a share in a corporation or the property that resides in an individual's own labor and talents.

When the government regulates the terms under which property may be bought or sold, or controls the way it may be used, it is taking rights from the individual owners. Since it is these rights that constitute the value of

property, any taking of them is a taking of property.

The courts have not seen it that way, however. According to present court interpretation, regulation does not constitute a taking of property that must meet the Fifth Amendment tests of public purpose, due process and just compensation. Whether one believes that the courts are right or wrong, the fact remains that, given this interpretation, the Constitution today offers no effective protection of private property.

Many people, though alarmed by the specter of uncontrolled taxation, feder-

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**"In the economic arena today there are no limits to the federal government's authority."**

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al spending and regulation, are nonetheless reluctant to tamper with the Constitution to the extent of adding an Economic Bill of Rights such as that proposed by Milton and Rose Friedman [NATION'S BUSINESS, July, 1980]. Their misgivings might be allayed were they to realize that the kind of amendments suggested by the Friedmans do no more than restore constraints on government that the Constitution at one time clearly provided.

For example, the suggested spending limitation amendment, which would hold federal expenditures to a specified percentage of national income, would replace the constraint provided by Article I, Section 8. If it is no longer practical to limit the purposes for which Congress may spend, an alternative is to limit spending in the aggregate.

Likewise, an amendment requiring that the same tax rate be applied to all personal income in excess of occupational and business expenses and a personal allowance of a fixed amount is similar in spirit to the old Apportionment Clause. The federal income tax would fall upon all income recipients in proportion to their incomes. Congress could not avoid the political consequences of raising income taxes by imposing disproportionately high tax rates on any minority of earners.

The Friedmans' proposed amendments prohibiting controls on wages



and prices, imports and exports, and entry into occupations and professions—or, alternatively, guaranteeing the right to buy and sell goods and services at mutually agreeable terms—introduce modern concepts of property and property rights into our nearly 200-year-old Constitution. They recognize that government regulations restricting the right to buy, sell and use property, including one's own human capital, constitute a taking of property that is contrary to the spirit, if not to the courts' current interpretation, of the Fifth Amendment.

**T**ODAY, as we think about the need to strengthen our Economic Constitution, whether by adding an Economic Bill of Rights or amending the Constitution in some other way, the issue is not lower tax rates, lower levels of federal spending and less regulation. It is whether we 20th-century Americans still believe, as our 18th-century forebears did, in the idea of the Constitution—the idea of limited government.

In the economic arena today there are no limits to the federal government's authority. Congress may, quite constitutionally, tax away any portion of an individual's income it chooses, spend money for whatever purpose it chooses and regulate any and every kind of economic activity it chooses.

Should we be greatly worried by this? Yes, if we are concerned about the future of capitalism in the United States. Capitalism depends on the freedom of individuals to contract with each other on mutually agreeable terms and to use their own income and wealth as they choose. A government with unlimited power to tax, spend and regulate threatens the freedoms that are the foundation of capitalism.

But is it not possible to control government through the electoral process, without resorting to the Constitution? Perhaps. However, our original Constitution and Bill of Rights were written by people who thought not. These were realistic men who had no doubts that any power allowed government would be used and no illusions that unlimited power could safely be entrusted to any government, however "good."

In their eyes, a Constitution limiting what all the institutions of government could do—Congress, the executive and the courts—offered the only hope of safeguarding freedom. □

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# The Joy of Music

By John Costello

WHAT DOES Barbara Bonn do when she finishes a really rotten day at the office? Head for the nearest bar? Make a beeline for the refrigerator? Throw open her apartment door and kick out the cat?

The answer is none of the above. Instead she picks up her recorder and tootles a tune.

"I've been playing the



recorder since 1968," she says. "When my husband and I were engaged, while we were students at Temple University, we exchanged gifts."

"Both gifts were a little far out. I gave him a set of bongo drums; he gave me a recorder."

"The recorder really interested me. I picked up some music written for it, began to practice and became reasonably proficient."

Her recorder, she hastens to explain, is not a modern, electronic gadget used to record sounds on magnetic tape. It's a musical instrument, a woodwind that looks like a flute.

Until recently, Bonn was an execu-

tive with Helena Rubinstein, Inc., in New York. Now she owns Barbara Bonn: Communication, New York-based consultants for the cosmetic industry.

For a while, after her marriage, she lost interest in the recorder.

"But about six years ago," she says, "I was at the home of a woman friend for dinner. After the meal, she and her three children brought out recorders—they come in different sizes and ranges, say from soprano on up—and put on an impromptu concert of chamber music."

"I decided to take up the recorder again. I took lessons, joined The Amer-

ican Recorder Society and earned a high intermediate rating."

What does this businesswoman like best about playing music?

"It's a soothing way to help solve problems—and unwind," she says.

To steal a line from Irving Berlin, many Americans say it with music. The American Music Conference (AMC) in Wilmette, Ill., says that more than 22 million adult Americans are amateur musicians. The piano is still their favorite instrument.

After that? What else with the youngsters who grew up in the 1960s and 1970s but the guitar? Also among the top favorites are clarinet, drums,

PHOTO: JOEY COBB—WOODFIN CAMP & ASSOCIATES



Before television, the front porch often saw use as a family music hall. Sometimes it still does.

Summer music festivals are proliferating, luring those who listen, those who play and those who do both.

PHOTO: BILL GRIMES—BLACK STAR



There are no barriers of age, economic status or vocation to playing music as an avocation. It can be an outlet for business people, present and future.



PHOTO: BRICK HALESTAD—GAMMA LIAISON



flute, trumpet, violin and harmonica.

More than half of all amateur musicians are women, the AMC says.

Which are the most difficult to learn and which the easiest? Here's how the AMC ranks them:

Easy: Recorder, bongo drums, conga drums. Fairly easy: Alto horn, drums, organ.

Average: Baritone horn, clarinet, cornet, flute, saxophone, piano, sousaphone, trombone, trumpet, tuba.

Fairly difficult: French horn, violin, viola, cello, bass. Difficult: Bassoon, oboe, harp.

And what do amateur musicians spend on their hobby? About \$2.4 billion annually on instruments, accessories and sheet music, AMC estimates.

Say you're celebrating a patriotic occasion. If you need a march to go with it, to whom do you turn? J. William Middendorf II has to be a man to see. He has written nearly 120 marches—"Navy on the Go," "Brave Marines," "Old Ironsides," "Coast Guard March," "Stand Up for America"—many on request.

His musical works have won high critical praise. "A great march," said Arthur Fiedler, the late Boston Pops Orchestra conductor, of "Old Ironsides."

How come he writes so many?

"I just love them," says the former U.S. ambassador to the Netherlands and former Secretary of the Navy.

Take the "Robert E. Lee March."

"The Daughters of the American Confederacy were going to honor General Lee's wedding anniversary," Middendorf says. "And they wanted a march for it. Connie Adams, a friend, pointed out that no one had ever written a march for Lee, one of the greatest Americans who ever lived."

"So I was flattered and honored to be asked to write one."

How do you go about this rather specialized art form?

"Well," says Middendorf, president and chief executive officer of Financial General Bankshares, Inc., Washington, "a march is really a 32-bar melody plus an introduction. The introduction has to be fairly short, eight to 16 bars. The first and last melodies are usually the stronger. In other words, more brassy—more brass instruments."

"There's a quieter melody in the middle for variety. Then the last melody has to be a stirring finish. Otherwise, people don't think it is a march."

"And that's all there is to it, really."

So much for structure. How about content?

"Well, for the Lee march," Middendorf explains, "I tried to tie in a little of 'Dixie' and 'Carry Me Back to Old Virginny.' Then in the introduction, I wanted to put in a typical Civil War drum beat. You know, ta dum, ta dum, ta dum—the distant roll of drums and then perhaps the distant sound of a trumpet."

When the U.S. Army Band played his work at the Custis-Lee mansion in Arlington Cemetery, the audience paid it the deepest kind of tribute. First a hushed silence, then applause.

Middendorf wishes more marches were written and played. He and a colleague at Financial General Bankshares, Richard A. McCracken, decided to do something about that.

They helped start the Association of Concert Bands of America, Inc., Oneonta, N.Y. Its purpose is "to foster, promote and increase a high level of concert band music."

How did he learn so much about marches and band music?

"Well," he says, "I have a record collection of about 1,000 marches. If you listen to that many, you learn something."

When Lois J. Christenson mans The Whippy Dip, no rock music blares forth from the FM radio. No country music, blues, or jazz either. Just classical.

The Whippy Dip is a Decorah, Iowa, ice-cream parlor that she and the junior members of the Christenson clan—six children—operate from about April to October. Isn't classical music a little heavy for a place that caters to a youthful clientele? Doesn't it drive them up the wall?

"That's tough," Mrs. Christenson says. "If they want the ice cream, they have to listen."

She began studying piano at about the age of six. She grew up in Blooming Prairie, Minn., where her father worked for a farm implement dealer.

"I was the fourth of five children," she says, "and we all played some instrument. My parents loved music."

When she joined the Blooming Prairie High School band, she had to learn another instrument. She chose the flute.

"Yes," she laughs, "it is much lighter to carry than an upright or a baby grand."

Her husband, also a pianist, played organ at St. Olaf College in Northfield, Minn., which they both attended. He's

now pastor of the First Lutheran Church in Decorah.

Music has done a lot for the Christenson family—four sons and two daughters. And vice versa.

In 1965, a friend asked them to put on a program for a mother-daughter banquet at Our Savior's Lutheran Church in Milwaukee. It was an hour-long medley of hymn-singing, piano duets and Broadway show tunes.

The audience ate it up.

Soon the Christenson Family Singers were playing a circuit of churches and schools all over Milwaukee and southern Wisconsin. This year they won the American Music Congress award as Amateur Music Family of the Year for the Midwest region.

No one's perfect, they say, not even musicians.

There's a story to prove it.

The village band had just finished a vigorous, but not overly harmonious, selection. Nevertheless, a forgiving audience gave them a good hand. As the perspiring musicians sank to their seats after the applause, a trombonist whispered: "What's the next number?"

"The Washington Post March," the band leader replied.

"Oh, no," the trombonist gasped, "I just finished playing that."

This would never happen to Stanley M. Bailey. Since the early 1930s, the Waltham, Mass., businessman has been a chamber music buff.

Why chamber music?

"Well," says the president of Bailey Kellogg Corporation, "in a big orchestra you can get lost in the mob. But not in chamber music. You're very visible and audible. You're on your own. You don't have a conductor to bawl you out if you do something wrong. You're responsible for what you play and how you play it, so that it blends in with the other members of the ensemble."

"Being on your own is a great joy in itself."

Bailey knows practice makes perfect. He likes to get up early on Sunday mornings, take out his 150-year-old Ficker fiddle and saw away on it. He does the same three nights a week.

Does he go down in the basement or up in the attic to spare the ears of his better half? "No," he says, "I play in the living room."

"I guess my wife has gotten used to it. Besides, I put up with a lot with her, too. She's a painter and daubs paint all over the house. She puts up with me; I put up with her. That way, we get along very well."



## Let's Avert Another Crisis

**A**MERICANS are notorious for their unwillingness to recognize a serious national problem until it practically overwhelms them. Consider energy. Now there is another such problem: nonfuel minerals dependence. The country imports more than 90 percent of some of the most important minerals, many of them from countries with unstable or unfriendly governments.

Alexander M. Haig, Jr., president and chief operating officer of United Technologies Corporation, points out that if southern Africa aligned with Moscow, the U.S.S.R. would control as much as 90 percent of several key minerals for which no substitutes have been developed. "The loss," he says, "could bring the severest consequences to the existing economic and security framework of the free world."

The irony is that the United States has the capability to become nearly self-sufficient in certain of these strategic minerals. Alaska, for example, has vast resources, yet the administration and Congress have chosen to bar mining in areas of great potential.

Clearly, the nation urgently requires a comprehensive nonfuel minerals policy designed to reduce its vulnerability. Long overdue, such a policy should feature an all-embracing resource program. It should stimulate the domestic mining industry, including opening up more federal lands to minerals development, bring the strategic stockpile up to established goals and develop substitutes for critical minerals in short supply here.

Mineral dependency is too important an issue to ignore until it becomes a crisis.

## Some Common Sense Needed

**P**RESIDENT CARTER's economic renewal program reminds us of the classic wisecrack about excessive reliance on averages: A person with one foot on hot coals and the other on ice should feel fine, on the average.

Rather than a coherent set of policies tailored to meet the economy's needs, the administration recently offered a disparate mixture of some from Column A and some from Column B. For example, take the proposed extension of unemployment benefits and the additional funding for job training, public works and distressed areas. The proper cure for unemployment is employment, not costly government programs.

Jobs are provided by a healthy private economy. But the economy is not healthy, in large part because the government is siphoning off too much capital to pay for programs to treat the symptoms, not the cause, of that malaise. To create new jobs, individuals and businesses must be persuaded to save, and then to invest those savings productively.

There are three things the federal government can do to encourage this desirable behavior: First, lower corporate and individual tax rates to increase the reward for saving and investing; second, reduce the disincentives to investment in the tax code and other federal regulations; third, control inflation, which robs the thrifty and rewards the debtor.

The administration's program fails on all three counts:

- The proposed tax reductions are in the form of extra credits and deductions, rather than lower rates.
- The changes in depreciation schedules are far short of what is needed.
- The added spending, which would increase the federal deficit, is inflationary.

The President cannot have it both ways. If he wants to earn credit for fighting inflation, he is going to have to forgo the free-spending policies that fuel it. What the country really needs from government, as he himself observes, is "the use of some common sense."



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